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Daily Report

Latin America

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International Affairs: NAM Meeting Concludes in Cartegena

PA1905224196 Madrid EFE in Spanish 0023 GMT 17 May 96

[FBIS Translated Text] Cartagena, 16 May (EFE) — The Non-Aligned Movement [NAM] concluded a technical three-day meeting in Cartagena today by condemning the extraterritorial laws that facilitate interventionism and adopting its first regulation in 35 years.

The delegates of the 38 countries who make up NAM's methodological committee and observers from 30 other countries have adopted a "Cartagena Document on Methodology," which updates the forum's structures and working methods "in the light of new international realities."

NAM, which has 113 full-fledged members — most of the UN member countries —released a communique endorsing Colombia as a candidate to preside over the group from 1995 to 1998, a position which Indonesia handed to the country during the ninth presidential summit held in Cartagena last October.

The final communique, signed by the 13 foreign ministers and 10 deputy foreign ministers, as well as more than 20 ambassadors, points out: "The world requires a new type of cooperation to attain an international order with greater justice and equity. Universalization and interdependency should not lead to intervention."

The communique also "strongly rejects both the extraterritorial enforcement of any country's laws to assess or influence other countries' policies and the use of coercive measures to restrict trade, which violates current international standards."

This remark somewhat refers to the "decertification" of Colombia by the United States last March for Colombia's counterdrug struggle. President Ernesto Samper is being investigated for the reported use of donated money from drug traffickers in his electoral campaign.

Nevertheless, the NAM members "fully and dynamically" endorsed Colombia's leadership of the organization but did not discuss the local political crisis.

Colombian Foreign Minister Rodrigo Pardo, who presided over the three-day methodological meeting, is expecting a judicial decision which could lead to his arrest due to his post as head of communications during Samper's campaign. He was questioned one month ago for reportedly exceeding the electoral expense ceiling.

At the end of the NAM meeting, Pardo met with the press and said he will make his decision on whether or not he stays in the ministry as soon as he learns about the Prosecutor General's Office's decision. He pointed out that Colombia's "decertification" by the United States is "surely" an example of the intervention mechanisms repudiated in the meeting.

Pardo said his government understands that "decertification is a local U.S. problem" but it "cannot take effect in other countries because it is not included in any international treaty."

He added that because of this Colombia "rejects it strongly," just as it rejected the Helms-Burton law against Cuba, because the United States intends to enforce it outside the country.

In addition, Julio Londono, former Colombian foreign minister and current ambassador to the United Nations, said that NAM came out "stronger and more vigorous" to make decisions and mediate in international conflicts after the Cartagena meeting.

Londono, who chairs NAM's coordination committee (made up of UN ambassadors in New York), said that one of the meeting's noteworthy events was that the consensus procedure was approved, which makes it possible to expedite the decision-making and admittance of new members into the forum.

Londono said: "The NAM president will have the authority to determine whether or not a consensus exists to make decisions. This is the first time the NAM president is given such a tool."

NAM's position, endorsed by its delegates, will be presented to Samper by the leaders of the Seven Most Industrialized Countries during a meeting to be held in Lyon, France, in June.

International Affairs: Mercosur, G-77 Negotiations

PY1905224096 Sao Paulo GAZETA MERCANTIL in Portuguese 14 May 96 p A5

[Report by Maria Helena Tachinardi in Brasilia]

[FBIS Translated Text] For the first time Mercosur [Common Market of the South] is negotiating trade preferences with a group of 60 developing countries, including India, Korea, Thailand, Colombia, the Philippines, Algeria, Egypt, Mexico, and Morocco. Mercosur member countries are seeking, among other things, lower tariffs for their exports of orange juice, leather, beef, chemical products, and machinery.

The four Mercosur member countries — Brazil, Argentina, Uruguay, and Paraguay — are submitting a list of products that can be introduced into their markets at lower import tariffs. They are also negotiating tariff reductions from their trade partners. Their objective is to

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expand the list of products exported by Mercosur countries to the Group of 77, which today consists of nearly 130 countries.

Negotiations within the framework of the General System of Preferences (GSP) have been sponsored by the Geneva-based UN Conference on Trade and Development (UNCTAD). The second round of GSP talks, which were launched in 1991, is expected to conclude by September.

In November 1994, the Mercosur bloc sought to join the GSP and, after submitting a list of items that could be subject to tariff reductions, it was accepted. In fact, that list — which is known as the membership list — was based on five concessions made by Argentina and on more than 100 offers guaranteed by Brazil during the first GSP round that concluded in 1988. Uruguay did not ratify the first round, and Paraguay failed to take part in the negotiations.

During the second GSP round of talks, Mercosur will have to submit a new list of items. Mercosur has also received similar lists from its trade partners. Bilateral negotiations are under way in Geneva.

Argentina and Brazil are analyzing the requests made by the G-77 countries. Both Argentina and Brazil have asked for zero tariff for many items. This is indeed a negotiating tactic to ultimately exact not-so-high tariffs, especially from India. Every concession made to a trade partner is automatically extended to the other GSP signatories.

An Itamaraty source said that the margin of preferences (tariff discounts) will come to bear upon the Common External Tariff (CET). If the product negotiated is included in the list of items excepted from the CET, the margin of preference will be applied on that rate, which would then become the CET. It would be unlikely then for Mercosur to negotiate preferences on products excepted from the CET list.

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Inter-American Affairs: Mercosur Economic Forum 23-25 Jun

PY1805030496 Buenos Aires TELAM in Spanish 1305 GMT 14 May 96

[FBIS Translated Text] Buenos Aires, 14 May (TELAM) — Regional integration enhancement will be the main issue for discussion at the Mercosur [Common Market of the South] Economic Forum scheduled for 23-25 June in Buenos Aires.

A communique states that the forum, sponsored by the World Economic Forum (WEF), will gather the region's presidents, international banking officials, and entrepreneurs.

Argentine President Carlos Menem, Brazilian President Fernando Cardoso, Chilean President Eduardo Frei, Paraguayan President Juan Carlos Wasmosy, EU Commission Vice President Manuel Marin, and Inter-American Development Bank President Enrique Iglesias will be present at the forum.

Economic development prospects, financial and political stability, and the development of key industrial sectors, which are of interest to companies operating in our region and to those that plan on entering this market, will be discussed at the forum.

The forum's program includes topics such as "Privatization Within Mercosur," "How foreign investors view the region, 18 months after the Mexican bank crisis," and "What Mercosur can learn from the Asian tigers experience."

Sector workshops [preceding word in English], coordinated by car industry, financial system, foodstuffs, agro-industrial, infrastructure, and natural resources entrepreneurial leaders, will also be held.

Inter-American Affairs: C.A. Presidents Tour Canada

PA1705201696 Madrid EFE in Spanish 1424 GMT 17 May 96

[FBIS Translated Text] Ottawa (Canada), 17 May (EFE) — The presidents of three Central American countries are continuing their two-day, official visit to Canada that ends today, 17 May, with two economic meetings.

The presidents of Costa Rica, Jose Maria Figueres; El Salvador, Armando Calderon; and Honduras, Carlos Roberto Reina, will meet in Toronto today with Canadian International Trade Minister Art Eggleton to try to increase trade relations between Central America and Canada. The presidents also will meet with Canadian businessmen to analyze Central America's economic prospects and the possibility of increasing investments in the region.

These activities are taking place during the second day of the official visit to Canada by the three leaders, who during the first day were accompanied by the presidents of Guatemala, Alvaro Arzu; Nicaragua, Violeta Chamorro; and the prime minister of Belize, Manuel Esquivel, the three of whom did not participate in the second day of the visit because of a number of previous commitments on their agendas.

The six Central American leaders who met with Prime Minister Chretien in Ottawa on 16 May reached a political agreement with Canada on the economic integration of the region along the continent.

Canada expressed its desire to continue working as an ally in the region in implementing the Central American Alliance for Sustained Growth signed in 1994, which constitutes the framework for the regional integration.

Because of existing difficulties in the opening of markets, Canada offered to continue sharing its experience and technical knowledge with the Central American governments to prepare their economies to receive the benefits of free trade.

To improve bilateral economic relations, Canada and Central America promised to eliminate trade barriers and to improve the confidence of investors.

Likewise, the Canadian Corporation for Export Development (EDC) offered to negotiate a credit line with the Central American Economic Integration Bank (BCIE) so countries in the region could purchase a greater quantity of products from Canada.

Inter-American Affairs: C.A. Leaders on Canada Visit

PA2105021496 Madrid EFE in Spanish 2134 GMT 17 May 96

[By Miguel Sanz]

[FBIS Translated Text] Toronto (Canada), 17 May (EFE) — The official visit by the Central American presidents concluded today in Toronto with the heads of state voicing satisfaction over their accomplishments during their stay.

"It has been very positive to draw Central America even closer to Canada in the political field, where we share many values, and in the economic field, where we have the potential for a large commercial exchange," Costa Rican President Jose Maria Figueres told EFE.

Figueres, Salvadoran President Armando Calderon Sol, and Honduran President Carlos Roberto Reina had lunch

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today in Toronto with Canadian International Trade Minister Arthur Eggleton shortly before leaving the country.

On Thursday, these three leaders, along with Guatemalan President Alvaro Arzu, Nicaraguan President Violeta Barrios de Chamorro, and Belizean Prime Minister Manuel Esquivel, began their first day of their official visit to Canada.

Prior commitments in their respective agendas did not allow the latter three heads of state to attend the activities of the second day.

The six Central American leaders, who visited Ottawa on Thursday, where they met with Prime Minister Jean Chretien, obtained Canada's political commitment to the subregion's economic integration.

Canada expressed its wish to continue working as an ally of the region in implementing the commitments of the Central American Alliance for Sustainable Development, a document signed in 1994 that constitutes the frame of reference for regional integration.

Mexico will be the bridge uniting the North American markets integrated into the North American Free Trade Agreement (NAFTA, comprising Canada, the United States, and Mexico), with the Central American nations. "We have received a very good response from Canada stating that it will ratify whatever agreement we reach with Mexico. I feel that we can reach an agreement with Canada in the very near future," Salvadoran Economy Minister Eduardo Zablah Touche said.

Within a 90-day period at the latest, as agreed by Canada and Central America, the foreign and economy ministers of the two sides will meet to analyze the timely follow-up on the commitments made during this visit.

Due to the existing difficulties in the economic opening process, Canada offered to continue sharing its technical experiences and knowledge with the Central American countries to prepare their economies to receive the benefits of free trade.

In a joint declaration signed by the six Central American leaders and the Canadian prime minister, they condemned the U.S. Helms- Burton law seeking to restrict international trade with Cuba, but without explicitly mentioning neither the United States nor Cuba.

"The heads of state expressed their firm opposition to any unilateral imposition of measures that affects third parties and conflicts the internationally accepted practices, principles, and regulations of free trade and investments," the declaration stated.

In addition, the region leaders succeeded in obtaining a $20- million line of credit from Canada's Exports Development Corporation.

This line of credit will be funneled through the Central American Economic Integration Bank (BCIE) and will serve to allow the area countries to purchase a larger quantity of Canadian products.

In addition, with the intention of improving bilateral economic relations, Canada and Central America pledged to boost investors' confidence through investment protection measures.

Another result of the visit is Canada's commitment to cooperate in removing the more than 100,000 estimated land mines that are imbedded in Central American soil as a result of the armed conflicts of the past decades.

In today's agenda, the official Central American delegations, headed by the economy ministers of the respective countries, met with Canadian businessmen and explained to them the advantages to investing in the region.

Following the conclusion of their official visit, Figueres, Calderon Sol, and Reina left the country.

Inter-American Affairs: C.A. Finance Ministers Meet in U.S.

PA1905213296 Madrid EFE in Spanish 1900 GMT 18 May 96

[FBIS Translated Text] New Orleans (Louisiana, U.S.), 18 May (EFE) — Honduran Finance Minister Juan Francisco Ferrera Lopez and Guatemalan Finance Minister Jose Alejandro Arevalo have said that the Central American countries are making efforts for the integration of the financial and capital markets, which is one of the reasons for today's meeting of American finance ministers in New Orleans.

The Honduran official told EFE that "it has been extremely useful for Central America to learn about the various processes that have been implemented and the economic results registered by leading Latin American countries, such as Mexico, Venezuela, Brazil and Argentina."

"In Central America, we have a process of integration, which at one point was suspended and which is why we are trying to find integration formulas that will enable us to tackle the problems associated with joining the global market. Traditionally, in the area of commerce, we have looked to the north and now, we must also look to the south," Ferrera noted.

Meanwhile, Guatemalan Finance Minister Jose Alejandro Arevalo told EFE that this meeting in New Orleans

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is another step in the process of American economic and financial integration.

"Guatemala has made considerable progress in the integration process in the economic, commercial and tariff areas; therefore, it will be easy for us, as a region and as Central American countries, to join, as a group, the process being promoted at the continental level," Arevalo pointed out.

Asked about what actions are being taken to counter drug-related "money laundering," Arevalo indicated that this issue is "a concern of all the Latin American authorities, which have agreed that mechanisms to prevent these activities be included in the process to liberalize the financial markets."

Inter-American Affairs: Triple Border Commission Formed

PY1805030696 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2327 GMT 17 May 96

[FBIS Translated Text] Puerto Iguazu, Misiones, 17 May (NA) — Representatives from the Governments of Argentina, Brazil, and Paraguay today agreed to form a commission to review controls on an area described as the triple border area. This commission will start meeting as of 1 July.

This agreement was approved by representatives of the Argentine Interior Ministry, the Paraguayan Interior Ministry, and the Brazilian Justice Ministry, who are involved in migration control during a meeting that ended tonight at the Puerto Iguazu Internacional Hotel.

The commission will start meeting in July at a yet undetermined site. It will have to meet a 1 September deadline for deciding on proposals to optimize migration and the movement of vehicles among the three countries.

The points to be assessed involve the "harmonization of the documents required for minors crossing borders," the display and formatting of databases "for registering migration and vehicle movements," and recommendations to implement a computer system.

The commission will also be tasked with establishing an agenda, with the names of those responsible for implementing the databases, and "reviewing the possibility of a border control system."

Migration Director Hugo Franco and Population Secretary Aldo Carreras signed the agreement for Argentina.

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Cuba

Cuba: U.S. Decision To Revoke Pilot's License Viewed

PA2005124996 Havana Radio Havana Cuba in Spanish 0000 GMT 19 May 96

["Station commentary" read by Norberto Hernandez Valdes; from the "Evening Information Review"]

[FBIS Translated Text] In a surprising decision, which no one had imagined, the Federal Aviation Administration of the United States stripped Jose Basulto, chief of the anti-Cuban counterrevolutionary group called Brothers to the Rescue, of his civil aviation pilot's license, based on evidence of unauthorized operations over Cuban airspace.

As you can imagine, a decision of such a political importance cannot be adopted without authorization from the highest-level officials in Washington.

The best proof, as the U.S. sources described it, was that Mr. Basulto's planes overflew the Cuban capital last year on 13 July and dropped leaflets containing subversive literature over the city.

Even though they were carefully followed by Cuban antiaircraft defense units, they entered and left Havana without being disturbed.

The U.S. interest section in Cuba has its offices precisely in the area that was overflown by the planes, which guaranteed that Washington received a report on these incidents in a timely and accurate manner.

The strange thing about this is that it is now, almost a year later, that the U.S. authorities are recognizing it and are adopting punitive measures against the leading aggressor, the head of the Brothers to the Rescue group, whose planes continued to violate Cuban airspace until 24 February, when two were shot down by Cuban Air Force units over Cuban territorial waters even though warnings had previously been made.

All of these anti-Cuban aggressive incidents were properly and extensively reported by the Cuban Government immediately after they occurred. Shortly after the incidents of 24 February, however, U.S. Secretary of State Warren Christopher accused Cuba of shooting down two U.S. civilian planes over international waters. The accusation was immediately followed by a U.S. action at the UN Security Council, which agreed to ask the International Civil Aviation Organization, ICAO, to conduct an in-depth investigation of the incident and submit a report to the international organization.

It all seems to indicate that up until that moment Washington believed or wanted to believe that it was right, or at least thought it could exert an influence so that its version of the incidents could be accepted internationally.

Following this maneuver at the United Nations, President Clinton hastily decided to give his support to the Helms-Burton law, a legal monstrosity that intends to step up the economic blockade against Cuba to irrational limits.

This measure, apparently adopted with electoral purposes in mind, has brought the U.S. administration huge international problems, even with its own allies. Up until that time the U.S. President, advised by his State Department, had publicly expressed his disapproval with most of the contents of the Helms-Burton law, precisely because he knew of its overwhelming international rejection, which is now becoming increasingly evident.

We ask ourselves, what could have happened? What was the White House's hunch regarding the ICAO investigations, which were recently extended for another month and should lead to a conclusion shortly? If the allegations against Cuba regarding the incident with the planes were well founded, and if Washington thought it was right and believes in the honesty and sincerity of its conduct in the entire affair, why is it anticipating the ICAO decision by punishing the aggressor pilot? The answer is obvious.

Cuba: CND Denies Participation in Mexican Movement

PA1805162596 Havana Radio Havana Cuba in Spanish 0000 GMT 15 May 96

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Rosario Ibarra, president of the National Democratic Convention [CND], a Mexican organization created upon the urging of the Zapatist National Liberation Army [EZLN], has denied all Cuban participation in the emergence of this insurgent movement and has described the reported training of EZLN members in Cuba as a lie.

She has said the recent remarks by a Cuban defector in Europe linking Cuba to the training of Mexican rebels is a slander that benefits the U.S. Government and sectors interested in winning Washington's favor and joining the embargo against Cuba. Ibarra also has said this report is an attempt to drive a wedge between the Cuban and Mexican peoples and to undermine Mexico's traditional solidarity with the Cuban Revolution.

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Cuba: Vietnam To Donate 200,000 Metric Tons of Rice

PA1705133296 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 16 May 96

[From the "NTV" newscast]

[FBIS Translated Text] From Vietnam we receive a report that the campaign to donate 200,000 metric tons of rice to Cuba is going successfully. Official Vietnamese sources have stated that over 15 billion dong, equivalent to $1,360,000, have already been collected. The donations come from private and state organizations, educational and labor centers, and from military units as well.

The Vietnam Fatherland Front has informed that employees from state enterprises are donating two days' salary, in solidarity with Cuba. This is the third action of this kind that takes place in Vietnam during the last three years.

Cuba: 300 Haitian Refugees Repatriated by Plane

PA1805010196 Havana Radio Rebelde Network in Spanish 1700 GMT 15 May 96

[From the "National Radio News"]

[FBIS Translated Text] During the last 16 years, over 75,000 Haitians who reached Cuba after fleeing difficult social, economic, and political situations in Haiti have received humanitarian aid in Cuba. Reynaldo Santana has more details.

[Begin Reynaldo Santana recording] This information was given today at initiation of a new repatriation process in Cuba. It includes three flights by Aereo Caribe Airlines that will return over 300 Haitians, who accidentally landed on Cuban coasts in frail vessels while attempting to reach the United States, to their land of origin. Cuba's humanitarian aid has included medical attention and food, as well as shelter, shoes and clothing, and other forms of solidarity. The costs involved have almost exclusively been met by the Cuban Government. The voluntary repatriation of Haitians to their country is done in coordination with the Cuban and Haitian Red Cross, following the request of the international organization for immigration. On several occasions, this institution has praised Cuba's strict compliance with the norms that regulate aiding immigrants.

Since 1980, over 75,000 Haitians have received humanitarian aid in Cuba. [end recording]

Cuba: Domestic Trade Minister on Consumers' Concerns

PA1705152796 Havana Cubavision Network in Spanish 0000 GMT 15 May 96

[From the "NTV" newscast]

[FBIS Translated Text] Yesterday, the fourth meeting with the people, organized by the Committees for the Defense of the Revolution took place in the Sevillano neighborhood, in Diez de Octubre Municipality here in Havana City.

[Begin recording] [Correspondent Miguel Angel Rioalta] On this occasion Domestic Trade Minister Barbara Castillo Cuesta and Juan Contino [general secretary of the Committees for the Defense of the Revolution] answered the people's questions regarding the quality and lack of certain products, the repair of appliances such as refrigerators and stoves, and price policies.

[Castillo] We are the ones who must protect consumers. It is our task to protect consumers by keeping watch over all those who supply any given product or make food, to assure they do it the way it should be done.

[Unidentified speaker] What solution is going to be given to the great number of refrigerators and other appliances? How is this going to be resolved?

[Castillo] We have reached the conclusion that we need to prioritize issues. We cannot cover all the people's needs. The first issue we have prioritized is called home refrigeration. I think that all of us would agree that it is vital for home refrigeration to be prioritized. [applause]

[Unidentified speaker] We will not achieve anything at all with all this effort unless there is some type of control against certain people who have acquired bad habits and become rich, thanks to the needs of other people. Other people who need to eat a croquette or a french fry, which in some place costs one peso and in another 1.5 and in places where it costs 1.5 there are less french fries!

[Castillo] She has explained some of the things that are happening. The industrial market is a market governed by supply and demand. That does not mean that human errors do not occur because there are human errors. What does human error mean? Well, sometimes and in certain cases we can go a bit over and in others a bit under. [end recording]

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Cuba: Official on Intellectuals' Activities Abroad

PA1805145196 Havana Radio Havana Cuba in Spanish 0000 GMT 12 May 96

[Report by Barbara Betancourt; from the "Evening Information Review" newscast]

[FBIS Translated Text] [Betancourt] During last Friday's meeting with foreign reporters in Havana, Abel Prieto, a member of the Politburo of the Communist Party of Cuba and president of the National Union of Cuban Writers and Artists [UNEAC], said relations with Cuban intellectuals living in other countries continue to expand and strengthen:

[Begin Prieto recording] I believe it is important to send signals of continuity to Cuban emigres. Our next magazine editions will include their works. We will soon include the work of Roberto Gonzalez Echevarria and [word indistinct], a Yale University essayist, perhaps the most outstanding Cuban-American essayist. We also will be publishing the work of Eduardo Gonzalez on Mayra Montero, a narrative writer living in Puerto Rico. We are going to hold a sociology event at the University of Havana. A group of sociologists also will be coming. People from the social sciences will be attending. We need continuity. I believe we have insisted on that idea, which I believe is very important.

Our relationship with Cuban emigres must no longer be tied to the existing relations with the U.S. Government and the United States. I say that cultural relations must be disconnected even further from those relations. We are able to move forward in that field. I believe that during the last Nation and Emigration Conference we held, we published a brochure, which Miguel may recall, that contained mentions of the publications, articles, contributions, and critical references written by Cubane emigrant artists and writers.

What we have done in the last few years is quite praiseworthy. We have been attaining a true, cultural coexistence with Cuban emigres. A long road lies ahead. There are many wounds to be healed, of course. We will hold an event with the magazine CICLON on the emigres. We will hold an event to celebrate the 30th anniversary of the novel "Paraiso," which was published for the first time in 1966. Some professors and essayists who have emigrated also will be coming here. We will continue to do that, permanently.

I believe it is important to know that it will have continuity. It is a policy based on clear, solid principles. This event to rescue our cultural values also will include—and this point is important too because, as you know, the dialogues are held with emigres who have a modern, respectful position—(Cabrera Infante), (Reinaldo Arena), and so on. In this event to rescue our cultural values, we will separate the political position of the individual from his cultural contributions to the nation and the national culture. We may even go a bit further in this field than in other types of dialogues, and we will, in fact, see a continuity. [end recording]

[Betancourt] Abel Prieto has denied that the possibilities of artists and writers to sign contracts abroad have been limited after the fifth full session of the PCC Central Committee held in March of this year. He added that the document approved in this meeting has no relation to the country's migration procedures.

[Prieto] In the artistic movement there is a continuously strong, international movement. The people continuously enter and leave the country. As you know, there is a group in Mexico, Venezuela, and Spain. There is a group of artists and writers perhaps in the thousands or in the hundreds, approximately 1,000. They live in those countries temporarily and enter and leave Cuba in complete freedom. We have the statistics. The Immigration Directorate has them.

It is interesting to note how people are moving in and out of the country. Of course, to leave the country privately is more difficult and slower than leaving through institutional means, under the current immigration procedures.

We, as institutions, the UNEAC, the Culture Ministry, the institutes of the Culture Ministry, are supporting writers and artists regardless of whether they are traveling as individuals or on trips benefiting the institution of some cultural content; we support that massively. When have we not supported that? When have we had conflicts? When have we had discrepancies? When events are held on relations with emigres which we believe disregard Cuban institutions and in which there is total manipulation, we do not prevent people from attending them, but they must do so privately.

Cuba: Granma Province Pioneers Hold Second Congress

PA1805190696 Havana Radio Rebelde Network in Spanish 1155 GMT 17 May 96

[From the "Doing Radio" newscast]

[FBIS Translated Text] Granma Province Pioneers held their Pioneer Congress yesterday, and each one of the issues was broached seriously and profoundly. Education Minister Luis Ignacio Gomez, (Enesa Baerm), president of the organization, and Amado Amut, first secretary of the Communist Party of Cuba in Granma Province, attended.

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The 250 delegates participating in the grand event of the Granma Province Pioneers agreed to promote all types of initiatives with the objective of increasing the quality of education during the coming school year. The young delegates mentioned the lack of social discipline exhibited by children who beg to foreigners and asked about the final production yields of various orchards, because many times they participate in weeding efforts but do not see the results of their work.

Vocational training, more autonomy in extracurricular activities, and the rejection of teachers' favoring certain students were issues the Granma Province Pioneers analyzed during their second congress.

Cuba: Castro Discusses Harvest in Ciego de Avila

PA1905040796 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 19 May 96

[8-minute report from the "NTV" newscast]

[FBIS Summary] During a chat with reporters who attended the ceremony for the 35th anniversary of Farmers' Day in Ciego de Avila, President Fidel Castro discusses aspects of the current and the next sugar harvest.

Fidel Castro reported that sugar production has grown by 30 percent and that several provinces continue to complete their sugar plans for the current harvest.

In reporting on sugar production, Fidel Castro said that sugar workers have accomplished a feat since last summer. He recalled that some resources for the harvest were late in arriving, there were transportation shortages, and rains created difficulties, especially in the provinces of Holguin and Las Tunas, but still the harvest was accomplished.

Fidel Castro said that Cuban-made Taino motors will continue to be used in sugar harvest machines but other motors, very good motors, will be purchased for the next harvest.

Cuba: Official Congratulates Sancti Spiritus Workers

PA2105021196 Havana Radio Rebelde Network in Spanish 1155 GMT 20 May 96

[From the "Doing Radio" newscast]

[FBIS Translated Text] Pedro Ross Leal, secretary general of the Cuban Workers Federation, has highlighted the importance of the "Doing Radio" program in provinces such as Villa Clara and Sancti Spiritus, where people have worked very hard in the country's primary social and economic plans, particularly the current harvest.

Ross referred to today's TRABAJADORES editorial, which commends the participation of workers in Las Tunas and Holguin Provinces, where sugarcane planting is being carried out under very difficult weather conditions. Ross called on workers to cut the amount of sugarcane needed to achieve the country's harvest goal.

In addition, Ross congratulated Sancti Spiritus' workers for their participation not only in the sugarcane harvest, but in the tobacco campaign as well, and for the quality of the sugarcane planting. He also noted that all the sugarcane planted during this stage will grow and stated that in the northern parts of the eastern provinces great efforts are being made by thousands of workers from all over the country, who are carrying out a strategic and essential operation of political and economic significance.

Cuba: Ceremony Commemorates Peasants Day, Anniversaries

PA2005183896 Havana Radio Rebelde Network in Spanish at 2055 GMT 17 May 96

[Live relay of ceremony commemorating Peasants Day, the 35th anniversary of the National Association of Small Farmers (ANAP), the 37th anniversary of the Agrarian Reform Law, and the 50th anniversary of the killing of peasant Aniceto Perez Garcia, from the Camilo Cienfuegos Square in Ciego de Avila, Ciego de Avila Province]

[FBIS Summary] Station announcer Diosdado Maso begins by saying that provincial representatives are present in the crowded square and that approximately 30,000 people are expected to attend the ceremony. Maso adds that ANAP President Orlando Lugo Fonte, Victoria Velasquez, first secretary of the Union of Young Communists, and Agriculture Minister Alfredo Jordan are already on the dais when Commander in Chief Fidel Castro arrives amid prolonged applause and repeated chants of "Fidel, Fidel, Fidel." Castro, who the announcer says is dressed in his military uniform, is accompanied by Council of Ministers Secretary Carlos Lage Davila and Jose Ramon Machado Ventura, vice president of the Council of State.

At 2107 GMT the master of ceremonies formally declares the ceremony under way and introduces folklore expert and poet Jesus Horta Ruiz, who recites a brief poem. The 35th anniversary flag, which the emcee says has toured the entire country, is handed to ANAP President Lugo Fonte, who presents it to Castro, who then hands the flag to a Cuban athlete so it can be taken to the 1996 Olympic Games in Atlanta.

Castro then presents a plaque to ANAP Provincial President Jesus Trujillo, while the Radio Rebelde reporter

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breaks in to note that only 12 cooperatives have received such a plaque to date. An unidentified Mexican woman then reads a message of solidarity from Mexican peasants to their Cuban counterparts. Part of the message reads: "Today, we join our voices to those of the millions of peasants and farmers among our peoples to condemn forcefully the criminal economic blockade Yankee imperialism has been imposing on Cuba for 37 years and, above all, to express our rejection and repudiation of the Helms-Burton law."

At 2122 GMT the emcee introduces ANAP President Orlando Lugo Fonte who begins his address by noting the many benefits the revolution has brought to peasants and farmers in many fields including health, education, roads, transportation and postal services. Lugo Fonte then praises the achievements of the peasants, whom he describes as a "strong pillar of the revolution," in the production of vegetables, milk, and other basic products. He says, however, that more can be done and that human solidarity must be a guiding principle. After criticizing Track II of the Torricelli law, which he says is aimed at destroying the revolution "from within," Lugo Fonte describes the Helms-Burton law as a "monstrosity" and asks whether the "U.S. Administration, the ultra-rightist Republicans, and the worms in Miami" believe they can take away the peasants' lands and bring back the large landed estates. Toward the end of his 27-minute speech, Lugo Fonte assures the party and the commander in chief that the peasants and their cooperatives "will defend the revolution and socialism at any cost."

At 2151 GMT President Castro begins to address the crowd amid shouts of "Viva Fidel!" The ceremony concludes after Castro's 74-minute address.

Cuba: Nationwide Outages Expected Due to Plant's Shutdown

PA2105021296 Havana Radio Rebelde Network in Spanish 1155 GMT 17 May 96

[Report by Jesus Diaz Loyola in Matanzas; from the "Doing Radio" newscast]

[FBIS Translated Text] We have more information on the shutdown of the Antonio Guiteras Electrical Plant in Matanzas. Yesterday morning's shutdown to conduct repairs will add to the number of outages during May and part of June. However, plant experts told "Doing Radio" that these outages will have no major impact on the national electricity network. They added that the 40-day shutdown at Guiteras plant, which is the nation's largest and which produces 330 megawatts of electricity, will not affect the nation's electricity production.

Immediately after the Guiteras plant was shut down, the Cuban energy network took measures to guarantee the supply of electricity. Other Cuban plants will gradually take over the load of the Matanzas plant. This load will be eased due to the significant capacity of the Felton plant in Holguin, which has also been incorporated into the network.

Officials at the Guiteras plant, currently undergoing repairs for approximately a half a million dollars, do not rule out the increase of blackouts in towns and cities nationwide — up to four- and five-hour blackouts, that will become less frequent as soon as the other plants take over the load. Even so, workers of the central maintenance enterprise and the Guiteras plant are making efforts to complete the repairs as quickly as possible, in order to preserve the calm in Cuban homes and the country's productivity.

Cuba: Civil Defense Plans Meteorite '96 Drill for 25 May

PA1705161696 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 16 May 96

[From the "NTV" newscast]

[FBIS Translated Text] Every year, natural disasters cause the loss of numerous lives and material resources worldwide. The exercise Meteorite '96 will be held on Saturday, 25 May, to prepare the country for any disaster.

A simulated high intensity earthquake will be the scenario for the exercise in Santiago de Cuba, Granma, Guantanamo, and Holguin Provinces, which have a greater risk of having these type of disaster.

From Las Tunas to Pinar del Rio Provinces, the scenario will be a high intensity hurricane. This scenario will help train the citizenry and state entities.

According to the Civil Defense, the force behind the exercise, the goal is to attain the participation of the entire population. The Revolutionary Armed Forces, Interior Ministry, and every state body will also participate in the exercise.

In case of the unexpected occurrence of natural disasters, it helps to know what steps to take to lessen the damages to the population, the economy, and the environment.

Cuba: Newspaper Director Details Next Edition's Articles

PA2105043896 Havana Radio Rebelde Network in Spanish 1155 GMT 20 May 96

[Interview with Cristobal Adamo, director of the ESCAMBRAY newspaper, by Host Felix Fernando Garrido; from the "Doing Radio" program]

[FBIS Translated Text] [Garrido] Tomorrow, in Sancti Spiritus Province, the weekly edition of the ESCAMBRAY — well known by everyone — will be published.

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Cristobal Adamo is the director of this newspaper and he is with us here today. First of all, I would like to welcome you. We would like to know what reports will be carried in tomorrow's edition? Good morning Cristobal.

[Adamo] Yes, good morning to you Garrido and to the listeners of "Doing Radio." Tomorrow, Tuesday, the newspaper will be published as usual. We already have several items defined for tomorrow's edition.

[Garrido] We would like to know about your front page, which seems to be what readers are most interested in.

[Adamo] Well, as you know, the front page is always decided on a bit later.

[Garrido, chuckling] Yes, that is right.

[Adamo] In any case, tomorrow, sugar is a required issue, because we analyze sugar recovery levels on a weekly basis, and we will inform our readers about the current situation. It is one of the tasks in which the whole population of Sancti Spiritus is participating. The previous harvest involved the whole population, and the next harvest will as well.

Since tomorrow is the day the province's pioneer congress will be held, another report that we have somewhat decided upon is a report about a little boy who is the only direct delegate from a special education [ensenanza especial] sector to the pioneer's congress. In the report, we explain the work and circumstances that his teachers and the student himself have faced transforming his personality and integrating him, thus making it possible for him to become a delegate to the congress.

[Garrido] Magnificent!

[Adamo] We also carry a report on the efforts by the construction workers of Sancti Spiritus to finish the 26 de Julio neighborhood. You have already spoken about this neighborhood on today's program. In the report we talk about the work that the construction workers are doing to finish before 26 July.

[Garrido] Before you continue, I would like to know the names of the people who have written these articles. I think it is worthwhile to recognize their efforts. The ones that you have already mentioned...

[Adamo, interrupting] Yes, the article about [word indistinct] who is the delegate, is by Comrade (Rosario Jacomin). The report on the 26 Julio neighborhood is by our colleague Israel Hernandez Alvarez.

We also have a report by Pastor Guzman that discusses the work done by the People's Government in (Quimicu). The article's title is "The Old Town's New Face." It discusses the transformation of a People's Government, specifically in the area of the small town around the Melan Hernandez Sugar Complex, known before as Congo. In the report, we discuss all the efforts by the population along with the delegate, who is also a deputy in the national assembly.

In this edition we also talk about our efforts to attain the honor of hosting the 26 July national ceremony and about the mass organizations — in cooperation with the government — having everything ready to enliven the city of Sancti Spiritus. This project is aimed at enlivening all the [word indistinct] area, as well as others in the city. This report by Comrade Mayra Pardino, provides information on everything that is going to be done from now up until 26 July.

With reference to sports — we always carry sports in the central pages of the ESCAMBRAY — we will carry a report by Comrade Joaquin Gomez that discusses the five people from Sancti Spiritus who are scheduled to participate in the Olympic Games in Atlanta. It includes our star (Yelis Quesada) who could be — as all predictions point out — the first Cuban to be an Olympic champion in the triple jump.

[Garrido] Magnificent, all of you now have a preview of what ESCAMBRAY will carry in tomorrow's edition, which will be available early in the morning. Thank you Comrade Cristobal Adamo. We would also like to acknowledge all the workers, not only the reporters, who make the newspaper's editions possible each week.

Cuba: Politburo Members' Activities Through 16 May

PA1705120296

[FBIS Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 16 May .

Alfredo Jordan stated that Santiago residents have made important changes in honey production. According to analyses made by the Cuban Ministry of Agriculture, Santiago de Cuba Province is about to break its all-time, 894-ton record of honey production. He added that progress has been made regarding methods, working styles, organization, and cooperation with producers. Jordan concluded by promising Santiago de Cuba residents that if the production target is met, a special event marking this accomplishment will be held in this province. (Havana Radio Havana Cuba in Spanish 0000 GMT 8 May 96)

Nelson Torres congratulated Ciego de Avila Province farmers after they won the right to host the 17 May farmers day festivities. Farmers received greetings from

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the party's provincial bureau, as well as Nelson Torres, who is also the minister of the sugar industry. (Havana Radio Rebelde Network in Spanish 1155 GMT 9 May 96)

Carlos Lage, secretary of the Executive Committee of the Council of Ministers, stressed in Las Tunas that the country is making an effort to improve the cattle industry. Lage, who is also a Politburo member, explained that the success of this effort depends on the battle being waged against cattle rustling. He called on workers to improve organizational measures, discipline, and control on every ranch, with the support of the population, the Interior Ministry, and the Attorney General's Office. Lage recently visited Granma Province, where these issues were discussed and 10 new rice combines were delivered. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 10 May 96)

Alfredo Hondal Gonzalez, Politburo member and first secretary of the Ciego de Avila Provincial Committee, presented a recognition banner to the top three mechanized producing brigades during the current sugarcane harvest. These brigades belong to the Ecuador Complex, which is the fourth Ciego de Avila sugar mill to meet its production goal. (Havana Radio Rebelde Network in Spanish 1155 GMT 11 May 96)

Alfredo Jordan sent greetings to all Cuban mothers on Mother's Day. Jordan congratulated Cuban mothers on behalf of the Agriculture Ministry and farmers in the countryside. Jordan praised the virtues of Cuban mothers in building the character of Cuba's hardworking farmers. (Havana Radio Rebelde Network in Spanish 1155 GMT 11 May 96)

Yadira Garcia bid farewell to the (Victorio Daviron) contingent from Matanzas Province that left for Las Tunas Province to help with the harvest activities there in order to reach a production level of 1,000 tons of sugar. (Havana Radio Rebelde Network in Spanish 1700 GMT 13 May 96)

Alfredo Jordan presided over the inauguration of a new dam in Viran, Holguin Province, which is to benefit farm land and area residents. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 14 May 96)

Alfredo Jordan visited the Baracoa-Maisi Forestry Enterprise in Guantanamo Province. While there, he urged the prompt reforestation of mountainous areas. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 14 May 96)

Ricardo Alarcon met in Santiago, Chile, with the leadership of the Chilean Democratic Christian party and members of an organization that is friendly toward Cuba. Alarcon visited Chile at the invitation of the Chilean Socialist party. (Havana Radio Havana Cuba in Spanish 1300 GMT 11 May 96)

Carlos Lage visited several sugar mills in Pinar del Rio Province. He hailed the workers' effort and assured that the current harvest is the start of the recovery of the sugar sector and the solution to many of the country's problems. (Havana Radio Havana Cuba in Spanish 0000 GMT 11 May 96)

Cuba: Roundup of Sugarcane Developments Through 19 May

PA2005125096

[FBIS Report] The following is a compilation of reports on sugarcane and sugar industry developments in Cuba monitored through 19 May.

The sugarcane harvest has ended in Guantanamo Province, according to Rider Diaz, first secretary of the Cuban Communist Party in Guantanamo Province. According to Diaz, the province has produced 1,100 metric tons of sugar above the province's goal for the year. (Havana Radio Rebelde Network in Spanish 1700 GMT 11 May 96)

Cienfuegos Province has so far produced about 73,000 metric tons of sugar more than last year's harvest. Sugarcane production has increased 36 percent in this province, one of the best records in the country. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 16 May 96)

Holguin Province expects to attain in the next few days its sugar production goal and become the country's leading producer in the current harvest. Only 22,800 metric tons of sugar are needed by the province to complete its production goal of 495,000 metric tons. Authorities believe the goal will be attained if rains do not increase in May. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 18 May 96)

Haiti

Haiti: General Accord With International Donors Reached

PA1805182996 Port-au-Prince Signal FM Radio in Creole 1130 GMT 17 May 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] A general agreement has been reached between Port-au-Prince and the international donors.

After one month of negotiations, the two parties have reached an international agreement, but certain details

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remain to be settled, according to Haitian Prime Minister Rosny Smarth, who has confirmed that IMF President Michel Camdessus will arrive in the country to approve the agreement reached by Haiti and the international financial institutions. [passage omitted]

The director of the World Bank for Latin America and the Caribbean, (Paul Isenman), was here during the talks on the structural adjustment and the privatization issue between the Haitian authorities and the international financial authorities.

The first round of talks between the Haitian Government and the international donors has concluded. The assessment is positive, according to Planning Minister Eric Derice. This reaction is the first of the negotiating commission after the talks that began on 15 April concluded. The planning minister has said he is quite satisfied with the talks between the Haitian Government and the international donors. [passage omitted]

Haiti: Preval on Struggle Against Misery, Corruption

PA2105031896 Port-au-Prince Signal FM Radio in Creole 1130 GMT 20 May 96

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] On the occasion of Haiti's Flag and University Day, President Rene Preval invited the population to declare the next five years as years of struggle against misery and corruption. He asked the people to raise the flag of economic development so that they can have total and complete independence. The Haitian head of state was speaking in Arcahaie in the presence of Haitian Prime Minister Rosny Smarth and members of the government and the diplomatic corps. Preval called for the establishment of an independent state that would guarantee the rights of every citizen in the country. He wondered whether this generation could take it upon itself [words indistinct] misery to their descendants. Preval added that if we cannot assume our responsibilities today, history will judge us. For the time being... [pauses] our ancestors drove the French Army out of the country in 1804, just like the Haitian people heroically struggled to drive the 30 September 1991 putschists out of power.

Preval urged the population to make big sacrifices to prevent the country from falling into the abyss. Painting a dark picture of the socioeconomic situation in Haiti the head of state said that the economic struggle remains today a political requirement and invited wealthy Haitians to cooperate in the national reconstruction and to fulfill their duties to the government. The war against misery is a war against corruption, exploitation, and illiteracy, stated Preval. He asked his Haitian compatriots to rally around the Haitian flag — the Blue and the Red — to contribute to development at this time, when we are at the threshold of the third millenium. Let us listen to an excerpt of Preval's speech in Arcahaie.

[Begin Preval recording] I have decided to put order in the state. But the problems cannot be solved as long as the government does not have money at its disposal to run the country. Haitian men and women: 18 May 1803, 1 January 1804, 16 December 1990, and 15 October 1994 have taught us that we never move backward when we have a challenge before us as a people. When we have big problems, we fight to solve them. Today, we are confronted with the struggle for the development of the country; it is a struggle to provide the government with the means, the proper means to be independent. [end recording]

President Rene Preval said that he is determined to put order in the state despite the fact that the state has does not have much money. Preval also addressed the Haitian ministers, the various elected representatives, and the political parties and organizations that made the commitment during the 17 December 1995 elections to assume their responsibilities within the scope of their missions to avoid committing acts that would be condemned by history and the Haitian people. He took the opportunity to thank the international community for consistently supporting the Haitian people in their struggle for democracy and well-being, notably through the active presence of the UN Mission in Haiti and the creation of the National Police Force.

The Haitian president also invited the population to denounce those who are sowing trouble by assassinating policemen in broad daylight. He attributed those successive acts that cost the lives of five policemen in less than three weeks to a sector that is trying — according to him — to create a big conflict between the Haitian police and the population. Haitians, you must hold out and cooperate with the young policemen who are determined to work to establish a climate of security and peace in the country. President Preval made this statement while once again offering his condolences to the parents and friends of the policemen who were killed.

Haiti: Mutilated Body Found in Smarth's Home in Cavaillon

PA1805013096 Port-au-Prince Radio Metropole in Creole 2000 GMT 17 May 96

[Item monitored in progress; from the "4 O'Clock Express" newscast]

[FBIS Translated Text] ...of the prime minister, Serge Pierre-Louis.

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[Begin Pierre-Louis recording, in French] The office of the prime minister informs the public, and the press, in particular, that in the early hours of Thursday, 16 May, the mutilated body of Joanes Lacombe was discovered in the prime minister's home in Cavaillon. The victim worked for many years in the home of Prime Minister Rosny Smarth, who went to the scene on the morning of today, 17 May. He will be back in his office at the end of the afternoon. [end recording]

Haiti: Demonstrators Block Highway; Police Injure Girl

PA1605200396 Port-au-Prince Signal FM Radio in French 1700 GMT 15 May 96

[From the "Signal 13" newscast]

[FBIS Translated Excerpt] Highway No. 2 is impassable today. The police quartered in Leogane fired this morning at a group of demonstrators who were protesting against the bad state of the community school of Merger. A girl was seriously injured during this incident. For the moment, the highway is totally blocked. Let us listen to our correspondent in Leogane, Evens Lefevre, for more explanations.

[Begin Lefevre recording, in Creole] Emilienne Denis, a girl, was seriously injured when national policemen quartered in the police station of Carrefour today, Wednesday, 15 May fired shots. This incident happened after inhabitants of Merger, a place located at about 8 km south of the capital set big barricades in Highway No. 2 to draw the attention of the officials of the Ministry of National Education on the bad state of the National School of Merger. The national policemen, who were in a white double-cabin Toyota with the registration number C-087 were firing shots to disperse the population. Emilienne Denis was shot in her stomach while she was seated on the stairs of her home. [passage omitted]

This situation angered the population who then blocked the highway again, which caused traffic coming from the south, the southeast, and the Grand'Anse area to be blocked for several hours.

We remind you that this is the second time that Merger inhabitants have blocked the highway to get officials to come and rebuild the National School of Merger which is in a serious state of disrepair. Evens Lefevre, for Signal FM in Merger. [end recording]

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Mexico: Russian FM Primakov Arrives for Official Visit

PA2005032596 Mexico City NOTIMEX in Spanish 0038 GMT 20 May 96

[FBIS Translated Text] Mexico City, 19 May (NOTIMEX) — Russian Foreign Minister Yevgeniy Primakov arrived in Mexico today for a three-day visit during which he will meet with Mexican President Ernesto Zedillo and Foreign Secretary Jose Angel Gurria.

Primakov said upon arriving at the Mexico City airport that his country and Mexico have many interests in common, because the ties between the two countries go back at least to the end of the last century.

Tomorrow, the Russian foreign minister and Mexican foreign secretary will preside over the signing of agreements between Mexico and the Russian Federation, which will serve to promote bilateral relations.

The head of Russian diplomacy said he is looking forward to the meetings that he will hold with the Mexican president and foreign secretary.

Tomorrow, among his many activities, Foreign Minister Primakov will deliver a lecture entitled "Russia's Foreign Policy: Guidelines and Strategies."

This is the first visit by a Russian foreign minister since the creation of the Russian Federation.

Mexico: Zedillo Holds Private Meeting With Russia's FM

PA2105044196 Mexico City NOTIMEX in Spanish 0128 GMT 21 May 96

[FBIS Translated Text] Mexico, 20 May (NOTIMEX) — President Ernesto Zedillo today met with Russian Foreign Minister Yevgeniy Primakov, with whom he reviewed bilateral issues.

Foreign Minister Miguel Angel Gurria escorted Primakov and his retinue into the Plutarco Elias Calles Meeting Hall at Los Pinos Presidential Palace for a private meeting with Zedillo, the Office of the Presidency stated in a communique.

Primakov was accompanied by Robert Markarian, director in chief of the Foreign Minister's Secretariat; Russian Ambassador to Mexico Yevgeniy Ambartsumov; and Vladimir Tiurdiyeniyev and Nikolay Spasskiy, directors for Latin America and North America, respectively.

Attending the meeting for Mexico were Gurria; Javier Trevino, deputy foreign minister for cooperation; and Jorge Chen, director general for Europe.

At the end of the meeting, Zedillo bade farewell with a strong handshake to the Russian official, who arrived at noon at Los Pinos as part of his two-day visit to this country.

Mexico: Business Reacts Favorably to Housing Alliance

PA1905032196 Mexico City XEW Television Network in Spanish 0300 GMT 17 May 96

[Report by Gabriela Resendez; from the "24 Hours" newscast — passages within quotation marks recorded]

[FBIS Translated Text] Mexican industrialists, bankers, and businessmen have reacted to the Housing Alliance Program that was presented at Los Pinos presidential residence. Upon leaving the ceremony, businessman Claudio X. Gonzalez admitted that this is not a complete solution, but it is a good beginning.

[Gonzalez] "We lack the necessary resources to do everything in a short period of time. However, I believe this is indeed a very important beginning in order to do justice to those who have already invested in their homes and to promote economic growth by satisfying the social need for housing."

Coparmex [Employers Confederation of the Mexican Republic] President Carlos Abascal said the following:

[Abascal] "We believe this is an important effort that goes along with everything that is being done in order to avoid illusionary and unrealistic solutions and to offer instead truly viable solutions that represent a great effort from the entire community and, to a certain degree, from the financial sector."

Victor Manuel Diaz Romero of the Concamin [Confederation of Industrial Associations] stated the following about this program:

[Diaz] "I believe this is the only responsible effort that could have been made. This could not go beyond the responsibility of the banking sector. Savings should not be jeopardized."

Hector Larios Santillan, president of the Business Coordinating Council, explained the following:

[Larios] "We need to create employment in order to contribute to the country's economic recovery and growth. This is the course that we should follow."

The business leaders have disclosed that a similar program will be announced within the next few days for the agricultural sector's overdue portfolio.

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Mexico: Banker Explains Program for Mortgage Loans

PA1905163896 Mexico City XEW Television Network in Spanish 0300 GMT 17 May 96

[Interview with Mexican Bankers Association President Jose Madariaga Lomelin by reporter Susana Castaneira in Mexico City on 16 May; from the "24 Hours" newscast — recorded]

[FBIS Translated Text] [Madariaga] We had the courage today to propose a program that, in my opinion, has a decisive significance for mortgage loans, because most Mexicans have acquired mortgages as a form of securing their own property.

Homes are the most important property for Mexicans in general. This loan will be made available to everyone who has a debt as a result of a mortgage loan worth up to 500,000 UDI's [investment units]; that is, approximately 150,000 pesos. There will be a progressive discount over a 10-year period as follows: 30 percent during the first year, 25 percent during the second year, two years at 20 percent each, two years at 15 percent each, two years at 10 percent each, and two years at 5 percent each; therefore, families will be able to allocate a smaller portion of their income for mortgage payments, thus making it possible for them to satisfy their various needs with the resources that were formerly used to pay for almost overwhelming mortgages.

[Castaneira] How many people will directly benefit from this program?

[Madariaga] It will benefit all the 900,000 mortgage debtors, 94 percent of whom have loans below the limit, meaning that although the program benefits 100 percent of mortgage debtors, 94 percent of them will have benefits for their entire payments.... [pauses] They may now refinance their debts and benefit from this program; this should be done before 30 September, but those individuals who have already refinanced their debts in UDI's and who are up to date in their payments will automatically benefit from their discounts beginning 1 January. If you have not refinanced your debt in UDI's, I would recommend that you do so as soon as possible in order to start benefiting as of 1 January, because.... [pauses] Of course, you could refinance in September, but if you refinance in September, you would benefit from the discount from January through May.

[Castaneira] Will this [word indistinct] be allocated directly to interest or to the principal?

[Madariaga] It will be allocated to both, because it will be applied directly to payments. If we are speaking of a loan that is several years old.... [pauses] In the case of older mortgage loans, a larger amount is allocated to principal than it is allocated to interest. Concerning mortgage loans that are a few years old, virtually all payments are allocated to interest, but you will have a 30-percent discount during the first year regardless of what portions are allocated to the principal and the interest. In case your payment amounts to 2,000 pesos, you will not pay 2,000 pesos but, rather, 1,400 UDI's.

[Castaneira] How will I know as a debtor if this will be included in my statement, or how will this [word indistinct] process take place?

[Madariaga] Your discount will appear in your statement if your payments are up-to-date and you have refinanced your debt in UDI's. This discount will function as a bonus that will be applied on some of your future monthly payments. You should either update your payments or come to the bank for refinancing if you have refinanced your debt in UDI's but your payments are not up-to-date. In cases in which debts are not refinanced in UDI's, I would recommend to anyone who is in this situation go to his bank to refinance his debt in UDI's beginning 1 June.

[Castaneira] Will this be applied retroactively for the individuals....

[Madariaga, interrupting] Exactly.

[Castaneira] ...who are up-to-date?

[Madariaga] Exactly.

[Castaneira] Beginning in what month?

[Madariaga] January.

[Castaneira] Beginning in January.

[Madariaga] Yes.

[Castaneira] I would like to know.... [pauses] Much has been said about the fiscal cost that will....

[Madariaga, interrupting] Yes.

[Castaneira] ...be involved, but the banking sector will have to sacrifice profits....

[Madariaga, interrupting] This is true.

[Castaneira] In this regard, I would like to know what the banks will sacrifice because of the implementation of this program.

[Madariaga] Banks have an implicit cost. When we refinance this kind of loan in UDI's, this implicit cost affects the estimated profit margin; that is, the estimated differential existing between the cost of money and the interest rate. This differential has now been reduced to a third of our estimates; this should be done because otherwise it would be impossible to implement this

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program. Meanwhile, the banking sector is financing the portion for which the government is paying at a CETES [Treasury Certificates] rate instead of a loan rate. These differentials will cost the banking sector a profit loss of more than $2 billion in the long term throughout the life of these loans.

[Castaneira] Would we say it would take about 30 years?

[Madariaga] It would not take 30 years, because I would rather say the average life of these loans might be 15 years if we take into account the term of each loan, the time that has elapsed, and so forth.

Mexico: Roundup of Economic Developments Through 20 May

PA2105014396

[FBIS Report] The following is a compilation of reports on economic developments in Mexico monitored through 20 May.

Mexican Petroleum (Pemex) disclosed in its latest quarterly report that its insurance subsidiary, Kot Insurance Co. Ltd., had reported a net utility increase of 41.5 percent and a 59.8-percent asset growth during 1995. In addition, Pemex also disclosed that the insurance company's book value, in dollar terms, had increased by 6.61 times from the original investment. (Mexico City EL FINANCIERO in Spanish 14 May 96 p 43)

Despite 1995 having been a difficult year, as an organization, the Mexican Securities Exchange (BMV) was able to report nearly 94,447,874 pesos in profits by the end of the year, 121.1 percent greater than the 42,715,014 pesos in profits earned in 1994. According to the latest BMV annual report, revenues increased by 32.5 percent, closing the year at 267,094,146 pesos, while expenditures decreased by 8.7 percent ending at 172,646,272 pesos. On the other hand, the total BMV assets by year's end amounted to 15,276,586 pesos while capital increased from 433,405,857 in 1994 to 672,810,436 in 1995. (Mexico City EL FINANCIERO in Spanish 14 May 96 p 8)

According to research conducted by EL FINANCIERO, the Mexican Government has been able to refinance nearly one-fourth of the $15.806 billion scheduled to mature in 1995. The refinancing was carried out at interest rates that double the amount the government would have had to repay prior to December 1994. Likewise, the government is currently conducting talks with commercial creditors aimed at extending the maturity dates of the commercial and syndicated loans scheduled to mature in 1996 and 1997, even accepting an interest rate 450 basic points over the Tesobonos rate. (Mexico City EL FINANCIERO in Spanish 13 May 96 p 4)

According to the Mexican Association of Executives for Industrial Relations (AMERI) the average wage increase of collective bargaining contracts subject to revision was 19.3 percent during the first quarter of this year. Analysts predict salary increases for the year will total from 20 to 25 percent, which is not sufficient enough to offset an estimated 80-percent loss of purchasing power. Private consumption, which fell a record 14.1 percent last year forcing industries to operate at 60 percent capacity, will remain stagnant this year. AMERI reports over 15,000 companies closed last year. (Mexico City EL FINANCIERO in Spanish 13 May 96 p 28)

Court records in Mexico City reveal that over 275 Mexican companies have suspended payments on loans or have filed for bankruptcy in the last 15 months. Twelve companies have suspended payments and 19 have filed for bankruptcy during the first quarter this year. (Mexico City EL FINANCIERO in Spanish 13 May 96 p 14)

According to preliminary reports presented to the Bank of Mexico (Banxico), Mexico's overdue portfolio is 12.7 times larger than that of the United States and 12.03 times larger than that of Canada, as it reached 157 billion new pesos in April. Whereas this indicator amounts to 3.8 percent of the current portfolio in the United States and 4.03 percent in Canada, it has reached a level of 48.5 percent in Mexico. Up to December, the government channeled fiscal resources for 90.8 billion pesos into the various government programs designed to face the problem of the overdue portfolio. Of this 90.8 billion, more than 22 billion in government funds were allocated for the refinancing program in Investment Units. According to sources of the Secretariat of Finance and Public Credit, SHCP, and the National Banking and Securities Commission (CNBV), the amount allocated to face the economic and social problems linked to the problem of overdue portfolios will increase to as much as 7 percent of GDP, including plans to refinance mortgages and agricultural loans. Total fiscal assistance packages to be channeled into reinforced programs of support to debtors amount to 24.7 billion pesos, or $3.293 billion. Thus, in the first five months of 1996, the fiscal cost of these programs has gone from 90.8 billion pesos, which represents 5.5 percent of GDP in 1995, to 115.5 billion or 7 percent of GDP for that same year. (Mexico City EL FINANCIERO in Spanish 14 May 96 p 4)

At the end of April, total foreign investment in the Mexican Securities Exchange (BMV) amounted to $33.9599 billion, which represents a monthly increase of 9.86

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percent. Meanwhile, according to the CNBV figures, the market of variable income received an injection of foreign capital for $1.632 billion this month. According to official reports, in the first four months of 1996, the flow of foreign investment in the securities market amounted to $2.5248 billion compared to the approximately $400 million registered in the same period of 1995. Meanwhile, the BMV indicated that 92.46 percent of total foreign investment was variable income, equal to $31.3991 billion, which represents an 11.02-percent increase over the amount registered at the end of March and a 28-percent jump over the amount registered in December 1995. Regarding the money market, total foreign investment amounted to $2.5608 billion, which represents a 5.01-percent drop compared to March figures and a 23.29-percent dive compared to December figures. According to a report by the Ixe Financial Group, up to 25 April, investment by the public in government securities reached $15.997 billion, which represents an 0.66-percent drop thus far this year and a 6.2-percent gain over figures posted at the end of March. (Mexico City EL FINANCIERO in Spanish 14 May 96 p 6)

At the end of the first quarter of 1996, Serfin Bank registered a loss of 1.261 million pesos following the creation of reserves for contingencies for 1.7 billion. In the wake of this operation, the reserves against the institution's credit risks amounted to 4.098 billion pesos; consequently, the reserves-overdue portfolio rate reached 77.3 percent, almost six percentage points above the rate reported at the end of 1995. Without considering the creation of these reserves, Serfin Bank reported operating profits for 458 million pesos. At the end of the first quarter, Serfin Bank's total portfolio amounted to 77.943 billion pesos, which represents a 22.2-percent decline compared to the level reported up to 31 December. As a result of the sale of the portfolio to the Savings Protection Banking Fund (Fobaproa), Serfin's overdue portfolio experienced a 24.4-percent decrease in this same period. Maturity dates went from 7.011 billion pesos at the end of 1995 to 5.299 billion in the first quarter of 1996. The overdue portfolio represented 6.8 percent of total portfolio. Also, at the end of the first quarter, Serfin reported a capitalization index of 9.4 percent. (Mexico City REFORMA in Spanish 14 May 96 p 1 — received via Internet)

Banxico has revealed that up to 10 May, the country's international reserves amounted to $15.908 billion, which represents a slight increase of $14 million compared to figures posted up to 3 May. In a communique, Banxico also disclosed that net international assets amounted to $1.539 billion. (Mexico City NOTIMEX in Spanish 0003 GMT 15 May 96)

In the first quarter of 1996, the Vitro Group earned net profits for 372.6 million pesos, thus reversing the loss of 479.4 million pesos registered in the same period of 1995. It also revealed an 8.7-percent decrease in its volume of consolidated sales, which went from 5.6655 billion pesos in the first quarter of 1995 to 5.1716 billion in the same period of 1996. (Mexico City EL FINANCIERO in Spanish 15 May 96 p 15)

Not even the high interest rates being offered by the federal government are enough to lure foreigners to purchase securities denominated in pesos. This situation became obvious in the first four months of 1996 when, according to BMV data, there was a withdrawal of foreign investment from the money market for $778 million. As a result, at the end of April, total deposits by foreigners in government securities amounted to $2.561 billion, equal to only 13 percent of what Mexico paid other countries for imports purchased in the previous quarter. Foreign investment in variable income instruments surged 28 percent from December to April, amounting to approximately $31.4 billion, or almost twice as much as Banxico's international reserves. (Mexico City EL FINANCIERO in Spanish 15 May 96 p 8)

The National Company for Basic Commodities (Conasupo) will import 2 million tons of corn to guarantee the supply and to have sufficient strategic reserves to prevent shortages. (Mexico City XEW Television Network in Spanish 0300 GMT 15 May 96)

A report from the Finance and Public Credit Secretariat (SHCP) reveals that public finances registered a surplus of 1.501 billion pesos during the first quarter. The federal government's revenues totaled 122.506 billion pesos and net expenses totaled 120.5 billion pesos. The report states the foreign and domestic public debts dropped 2.3 percent and 0.5 percent, respectively. The SHCP reveals that 62 percent of the revenues resulted from non-oil revenues and 38 percent from oil revenues. The foreign public debt represented 34.4 percent of the GDP, compared with 36.7 percent at the end of 1995. Likewise, $3.0749 billion were placed in international money markets ($2.8968 billion by the federal government and $178.1 million by the National Finance Bank) with maturity dates ranging from three to 10 years. Between January and March, $1.8157 billion were paid in interest and $6.731 billion were paid in capital amortizations. (Mexico City LA JORNADA in Spanish 16 May 96)

The drought in eight states has resulted in heavy economic losses and a 60-percent drop in the cattle herd's overall weight. Ignacio de Jesus Lastra, cattle director at the Agriculture, Livestock, and Rural Development Secretariat (SAGDR), announced that 1.1391 bil-

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lion pesos will be invested to help 682,000 producers. Food supplements for 1.6 million heads of cattle will be distributed among 133,000 producers. Heladio Ramirez Lopez, director of the National Committee for Arid Zones (Conaza), announced that 22 million pesos were allocated for 228 projects in 12 rural municipalites affected by the drought. Eulalio Guerra, president of the Cattlemen's Association in Tamaulipas, said that approximately 16,000 heads of cattle have died this year. The National Rural Credit Bank (Banrural) and the Trust Institute for Agriculture (FIRA) will destine by 512 million pesos, or its equivalent in dollars, for credits to support the 1996-1997 coffee harvest. Interest rates for credits in dollars will be the London Interbank Offering Rate (Libor) plus 6 percent and in national currency it will be Treasury Certificates (Cetes) with a 28-day maturity. Since the recovery rate for the previous harvest is barely 35 percent, the program will begin with producers who have paid all their credits and in states with a 50-percent recovery rate. Honey production has dropped 6,000 tons in two years due to the drought, so 720,000 pesos will be invested to purchase 32,000 queen bees and prevent a total or partial collapse in the country's honey production due to the African bees' invasion. (Mexico City LA JORNADA in Spanish 16 May 96)

The SHCP has reported that Mexico today placed 100 billion yen worth (approximately $945 million) of Samurai bonds in Japan's domestic market. The placement will have a 10-year maturity date and it is the second placement carried out in 1996. The new Samurai bond will pay 6.75 percent a year, which represents a 4.10-percent difference over U.S. Treasury bonds with the same maturity date. Mexico has carried out three issuances in yen, two in the European market (Euroyens) and one in the local market (Samurai bonds), since it returned to the international money markets in 1994. The SHCP said the resources derived from this operation will be used to refinance most of the Cetes/Libor Dual Note issued in December 1995, totaling $1.5 billion and payable in November. (Mexico City NOTIMEX in Spanish 0119 GMT 16 May 96)

According to Business Coordinating Council President Hector Larios Santillan, the private sector admits that the financial aid given to commercial banks has barely benefited the industrial sector. Larios said that businesses need to have their financial burdens relieved in order to undo the vicious overdue portfolio-recession cycle. He added that the new program aimed at refinancing overdue mortgage portfolios will help ease the financial strain on mortgage loan debtors. (Mexico City EL FINANCIERO in Spanish 16 May 96 p 5)

In a preliminary report, which was drafted at the third meeting of the Ministerial Council of the Commission for Labor Cooperation, on the effects of the NAFTA two years after its implementation, the number of Mexican jobs has fallen 4 percent and part-time jobs and those on the informal sector have been climbing steadily. The report states that 38 percent of workers are now self-employed. It adds that Mexican workers suffered a 12-percent wage loss in 1995 alone. Additionally, 25 percent of jobs belong to the agriculture and cattle ranching sectors and 54 percent to the service-oriented sector. The report further states that 35 percent of female employment opportunities are considered part-time. (Mexico City EL FINANCIERO in Spanish 16 May 96 p 23)

Eduardo Fernandez Garcia, president of the National Banking and Securities Commission, has stated that the overall fiscal cost of the overdue portfolio programs totals 135 billion pesos, or 6 percent of the GDP forecasted for 1996. Mexican Bankers Association President Jose Madariaga Lomelin has explained that the reduced margins on banking operations included in the housing program will cost banks an estimated 15 billion pesos, to be written off over 30 years. Fernandez Garcia has said that the mortgage portfolio's official due balance amounts to 177 billion pesos and the overdue portfolio's balance totaled 106 billion pesos by March. (Mexico City EL FINANCIERO in Spanish 17 May 96 p 4)

Today, the SHCP announced that the GDP registered a 1-percent drop for the first quarter compared to the same period in 1995. The government had expected a greater drop — between 2.5 to 3 percent. A communique explained that this has been the lowest drop in the past four quarters and is thanks to the results of the positive efforts by industrial and primary sectors, which grew 2.4 percent and 0.8 percent, respectively, in the year. On the other hand, the service sector registered a 3.2-percent drop in 1995 and a 1-percent drop this first quarter. (Mexico City Radio Red Network in Spanish 2300 GMT 17 May 96)

Net international reserves dropped by $250 million at the close of the first quarter compared to the end of December. Bank of Mexico domestic credit dropped by 21,142 million pesos. Public finances and the public debt dropped by 16 percent. A document drafted by the SHCP shows that bank financing suffered an average yearly decrease of 36.7 percent for the quarter. The document explains that the drop in net international reserves was due to debt repayments by the Bank of Mexico to the U.S. and Canadian financial authorities and the sale of central bank foreign exchange to the federal government to service its foreign debt. The balance of local currency of Bank of Mexico net support

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to the Savings Protection Banking Fund (Fobaproa) amounted to 18.847 billion pesos. Commercial banks renegotiated 241,383 contracts worth 118.767 billion pesos under the Investment Units (UDI) plan, which is 28.65 percent higher that the renegotiated balance at the close of 1995. Through the Agreement for Immediate Support to Bank Debtors (ADE), whose implementation began in September, it reported 1,755,305 restructured credits by 1 March, which is equivalent to 175.153 billion pesos. This is 83.2 percent higher than what the banking sector had estimated as being likely to be renegotiated. (Mexico City EL FINANCIERO in Spanish 17 May 96 p 6 — received via Internet)

The SHCP reported that Mexico's April trade balance showed a $731-million surplus; the highest in seven months. The accumulated trade balance for the first four months was positive by $2.577 billion. Exports in April reached an unprecedented $7.872 billion, which is 34.2 percent higher than in April 1995. Imports amounted to $7.141 billion, which represents a 43.7-percent increase. During the first four months, the value of sales abroad amounted to $29.652 billion, which represents a 20.3-percent increase over the same period in 1995. Imports between January and April amounted to $27.76 billion. Oil exports amounted to $982 million, which is a 42.7-percent growth compared to April 1995. (Mexico City EL FINANCIERO in Spanish 17 May 96 p 23 — received via Internet)

The monthly report issued by the Swiss Bank Corporation forecast a slow recovery that could take two to three years. It forecasts that by the end of 1996, the GDP will reach 2.6 percent, inflation 29 percent, international reserves $20 billion, and the foreign debt will amount to $165 million. Swiss Bank also forecasts that the December exchange rate will be 8.20 pesos to the dollar. The Serfin Financial Group reports, in turn, that the country's financial markets have taken a 2.7-percent GDP drop for the first quarter. (Mexico City EL FINANCIERO in Spanish 17 May 96 p 23 — received via Internet)

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Guatemala

Guatemala: Investment, Trade Accord Signed With Mexico

PA1905234296 Guatemala City PRENSA LIBRE in Spanish 17 May 96 p 90

[FBIS Translated Text] Silvia Romero Ayala, promotions coordinator of Mexico's Office for the Transfer of Technology [Unidad de Transferencia de Tecnologia — UTT], revealed yesterday that Guatemala and Mexico signed a cooperation agreement this past week to promote investments and foster an increase in trade between the two countries.

Romero indicated that the agreement was signed during the negotiations on the possible creation of a free trade agreement between Central America and Mexico.

The agreement was signed for Guatemala by the Guatemalan Chamber of Commerce (CCG) and for Mexico by the National Association of Manufacturers (Canacintra).

Romero Ayala indicated that currently there are no specific activities to be carried out under this agreement, but that a specific mid-term plan is being drafted to allow taking advantage of the investment and coinvestment programs that could develop as a result of the plan.

An Information Pool Will Be Created

In addition, the creation of a business information pool will allow the exchange of information between various Mexican and Guatemalan business sectors to identify investment opportunities.

According to the UTT representative, constant communication will be maintained with the business sectors, and quicker contacts will be made regarding supply and demand in different sectors with this system.

The UTT believes that the process of economic integration and technology transfer for all interested in participating in the businessmen's information pool will be expedited by these means.

Twenty One Businessmen Visited the Country on a Trade Mission

As part of Canancintra's promotional activities, this week a group of businessmen from 25 small and medium-sized companies visited Guatemala and met with Guatemalan businessmen. The mission was oriented toward owners of small and medium-sized companies.

Nicaragua

Nicaragua: Official Says Army Will Guarantee Elections

PA1905163496 Managua BARRICADA in Spanish 17 May 96 pp 1, 10

[Report by Juan Carlos Sarmiento]

[FBIS Translated Text] Matagalpa — During a special ceremony held at the military base in Waswali, south of this city, yesterday, Army Chief General Joaquin Cuadra Lacayo promised that all his officers and soldiers will be prepared to guarantee the elections.

Cuadra reviewed the 1,200 officers and soldiers who will begin an offensive this weekend to dismantle the armed bands operating in the northern part of the country and whose criminal actions seriously endanger the elections in at least 26 municipalities.

Cuadra said: "We are initiating today the last phase of the plan that includes the deployment of Army troops to bring peace and calm to the countryside. The entire Army, from its commander in chief to the last soldier, will be prepared to guarantee the elections."

Soldiers from the General Benjamin Zeledon Tactical Combat Group, which consists of light infantry and special Army troops, will be deployed to Rio Blanco, Paiwas, Matiguas, Waslala, Rancho Grande, La Dalia, Cua, Bocay, and Wiwili.

The weapons that will be used by the 1,200 troops are AK-47 rifles, RPK machine guns, RPG-7 rocket launchers, grenades, and others. The troops also will have at their disposal a group of specially trained dogs for the pursuit of fugitives.

Trained in Human Rights

The Army chief said a similar number of troops will be participating in other operations being conducted in the departments of Esteli, Nueva Segovia, Boaco, Chontales, and the Southern Atlantic Autonomous Region.

Accompanied by military attaches of several countries, the members of his staff, and the bishop of Matagalpa, Monsignor Leopoldo Brenes, the Army chief also closed the class on human rights taken by the officers and soldiers who will participate in the offensive.

The Army chief said the training of the troops is the result of a special, logistic, and material effort to fulfill in the best way possible the mission society has given to them.

"You have been taught about the laws of the country and the military, and through Brenes, you have been

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trained on human rights matters thanks to the church's support," he added.

Likewise, he called on the soldiers to act with patriotism and to recognize that peasants are our fellow countrymen and friends. Cuadra described peasants as the closest allies of the Army.

Cuadra said many people are placing all their hopes of attaining a bit more peace and calm in the actions the Army will be taking.

Moreover, Brenes asked soldiers to make their presence in the countryside one of security and not sadness. There you "will find humble, plain, yet generous people who always will give their hearts to their friends but will close it to those wishing to hurt them," he said.

"You must be good soldiers. Do not take away anything from anyone," the religious leader said, paraphrasing the biblical message delivered by John the Baptist.

The troops who will participate have vast experience in these types of operations, because they have participated in the coffee harvest protection plans of the last few years.

According to Cuadra, this offensive involves less risks for the troops, because they have the support of virtually all political, religious, and social sectors of the region.

Nicaragua: Presence of Troops in Honduras Denied by Army

PA1805200096 Managua LA PRENSA in Spanish 15 May 96 p 2

[FBIS Translated Text] Nicaraguan Army Chief General Joaquin Cuadra Lacayo yesterday officially denied that Army troops are participating in the military exercises taking place in Honduras and confirmed that "there is no possibility of reactivating" the Central American Defense Council (Condeca).

"Condeca has been dead for some time, and there is no possibility of reactivating it, because this organization is dead just as the National Guard and Somoza are dead," Cuadra stated emphatically.

REUTERS NEWS AGENCY reported the day before yesterday that two Nicaraguan officers were participating as observers in the "war games" U.S. troops are carrying out with members of several Central American armies.

Cuadra's reaction occurred when reporters asked him about the possibility of reactivating Condeca. Former dictator Anastasio Somoza's National Guard belonged to this Central American organization.

Cuadra met with coffee producers at the offices of Unicafe [Nicaraguan Coffee Growers Union] yesterday. He announced that troops will be reinforced in the coffee-producing areas and the 26 municipalities that are experiencing armed conflicts that have triggered the concern of the Supreme Electoral Council.

Next week at the latest, approximately 1,300 Army Special Forces soldiers will start operations in the area that has been called the "Golden Triangle."

Panama

Panama: Government Authorizes U.S. Flights Over Darien

PA2005171396 Panama City LA PRENSA in Spanish 20 May 96 p A1

[Report by Jose Quintero De Leon]

[FBIS Translated Text] The Panamanian Foreign Ministry has admitted the Panamanian Government has authorized the flights by U.S. Air Force airplanes over the jungle areas of Darien and near Fort Sherman, on the Atlantic side in Colon Province, but has clarified they have not taken place. The Colombian Senate has denounced the violation of Colombian territory by U.S. forces; therefore, Colombian airplanes have overflown the area to verify whether this was true but saw nothing.

The communique, which Foreign Ministry Spokesman Erich Rodriguez Auerbach has signed, states that these flights are intended to identify and detect concealed buildings and possible landing sites suspected of being linked to drug production or trafficking.

The communique adds that the overflights are a practical and efficient method of international cooperation against drug production or trafficking and are carried out with the authorization that Panama grants, as a free and sovereign state, to the U.S. Armed Forces.

During 1996, the communique states, "overflights are authorized over the jungle areas of Fort Sherman and Darien." At the request of the United States, these flights did not take place due to technical limitations of the assigned aircraft.

The Foreign Ministry states that it has not authorized the deployment of U.S. troops in the area bordering with Colombia and that no troops are there.

This denial contrasts with what was stated two weeks ago by Government Minister Raul Montenegro in the Legislative Assembly when he said the Panamanian Government had in fact authorized short operations in the Darien border area.

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Panama: Foreign Assistance To Fight Drugs Welcomed

PA1805021596 Panama City Circuito RPC Television in Spanish 2300 GMT 17 May 96

[From the "RPC Television News" newscast]

[FBIS Translated Excerpt] The government is taking steps to intensify patrols and control drugs along the border area.

[Begin recording] [Reporter Luis Alberto Gonzalez] Government and Justice Minister Raul Montenegro stated that the construction of a police naval station in Puerto Escoces and a similar one in Jaque are two government projects aimed at regaining control over the drug-trafficking situation along the border area.

[Montenegro] We are close to having the Kuna Yala Indian territory congress approve the construction of a police naval station in the area known as Puerto Escoces. Once this is achieved, next year we will design and build a similar station in the area of Jaque. Thus, the government is providing support through resources and training so that Panamanian personnel will be able to fulfill this responsibility.

[Gonzalez] Montenegro said that Panama welcomes any type of international assistance to fight drug trafficking, as long as it serves to control this problem and benefits the community. [end recording] [passage omitted]

Panama: Minister on Police Role in Fighting Trafficking

PA2005161296 Panama City LA ESTRELLA DE PANAMA in Spanish 19 May 96 p A1

[By Rogelio Antonio Cordova]

[FBIS Translated Text] The government confirmed on 18 May that it receives international aid to fight drug trafficking. Questioned on likely U.S. military support to fight drug trafficking gangs at the border in Darien Province, Government and Justice Minister Raul Montenegro said "we do receive various types of international support in the fight against drug trafficking." The Kuna Yala Congress will have to approve the construction of a naval police station in Puerto Escoces, the minister reported after high-ranking officials and even U.S. Ambassador William Hughes warned about the little surveillance in the San Blas area of which the narcomafia could presumably take advantage. Montenegro pointed out that the national police are capable of guarding the border with Colombia and fighting drug trafficking without other countries' participation in the protection of the jungle region. International news agencies report that the government affirmed that Panamanian officials had authorized the United States to deploy U.S. military troops to the Darien border "for short periods of time," according to a high-ranking Panamanian official. The U.S. Southern Command has issued a communique denying reports on alleged U.S. patrols along the Panamanian-Colombian border.

Panama: Ministry Awaits Decision To Begin U.S. Talks

PA2105023796 Panama City EL PANAMA AMERICA in Spanish 20 May 96 p 1A

[Report by Henry Raymont]

[FBIS Translated Text] Washington — The Clinton administration has reportedly given the go-ahead to begin informal talks with Panama on the future of the U.S. military bases on the banks of the Canal.

In addition to this, the Panamanian Foreign Ministry is awaiting a decision from President Ernesto Perez Balladares to establish a definitive date for these contacts.

According to Panamanian sources, the expectation is that President Perez Balladares will soon inform his diplomatic team on when it should be ready for the talks, provided that he can convince his own political allies and an important sector of the opposition.

That is the message that Foreign Minister Gabriel Lewis Galindo delivered to Ambassador William Hughes during a conversation they had over the weekend in Miami, other sources revealed.

Although the official U.S. line is to allow Panama to take the initiative, in private, U.S. officials are not hiding their concern that if no decision is made shortly, the proximity of elections may generate an unfavorable political atmosphere for any effort.

For Pentagon officials, the talks should not be postponed beyond June, because the Department of Defense is already preparing its budget estimates for the year 2000.

"We continue to dance to the same tune as last year," an official from the Clinton administration commented. The United States is ready to consider a strategic presence, but it does not want to appear as a hegemonic superpower. In the meantime, the Panamanian Government does not want to take the initiative either, although it knows the U.S. presence guarantees its security.

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Panama: Pentagon Said 'Closing Its Doors' to LA PRENSA

PA2105040196 Panama City LA PRENSA in Spanish 19 May 96 p 47A

[Column by Washington correspondent Betty Brannan Jaen: "Closed Doors at the Pentagon"; words within slantlines published in English]

[FBIS Translated Text] Washington, D.C. — "A government of the people without information for the people or the means to acquire it is nothing more than a prologue to a farce or a tragedy, or perhaps both. A people who aspire to govern themselves must be armed with the power granted to them by knowledge." James Madison, U.S. statesman and president, 1822.

If there is a man in the Clinton administration who holds the future of Panama in his hands it is Joe R. Reeder. As under secretary of the Army, Reeder is one of the key figures on the topic of the bases, and as the chairman of the Panama Canal Commission [PCC] Board of Directors, he is also a key person in the transfer of the Canal to Panama.

Exactly one year ago, I made my first request for an interview with Mr. Reeder and have repeated the request many times since to no avail. His press secretary, Lieutenant Thomas Begines, told me on several occasions that due to his busy schedule, Mr. Reeder does not grant interviews although he holds news conferences now and then with invited journalists. I have been waiting one year to receive an invitation to one of those news conferences.

I was, therefore, surprised to read on the front page of EL PANAMA AMERICA that Mr. Reeder had held a lunch /briefing/ on Canal issues with invited journalists. After waiting for one year to be invited to a /briefing/ with Mr. Reeder, he had hosted a news conference specifically to discuss Canal issues and LA PRENSA's correspondent had been excluded.

I called Lt. Begines on the telephone and left several messages that were unanswered until I finally succeeded in talking to him. I had imagined he would apologize, saying I had been excluded by mistake, but that did not happen. Begines responded to my complaint with the coldest silence, telling me at last, without any apology, that he had primarily invited U.S. journalists, granting a single invitation to the Panamanian press, an invitation made to Henry Raymont of EL PANAMA AMERICA.

But after a year of keeping me waiting, I protested: How can you organize a news conference on the Panama Canal and not invite LA PRENSA's correspondent. Begines' reply was silence.

Can you provide me with the transcript of Mr. Reeder's statements, I asked. "I do not have the time for that," was his response.

Can you at least give me a summary of the statements made at the /briefing,/ I insisted. Again, "no" was Begines' reply.

I made an attempt to make up to the extent possible for the fact that I had been excluded from the news conference. Can you schedule an interview with Mr. Reeder in order to give me access to the information that was released? The answer was a chilly "I will see what I can do" that has yet to produce results.

That conversation with Begines took place last Monday. A few days later, I ran into a U.S. journalist who is writing an article on the Canal reversion for a small news magazine. Since it was obvious that this journalist had never written about Panama before, I asked what prompted his interest. Joe Reeder suggested the topic to me and invited me to go to Panama with him, this journalist told me, leaving no doubts regarding his unlimited access to Reeder and other senior figures of the Clinton administration who handle Panamanian affairs.

I hope I am wrong, but these two incidents seem to suggest a disturbing and disillusioning pattern. I used to imagine that if perhaps the Pentagon paid attention to my articles (something that does not seem likely), it would probably get upset over my columns on the School of the Americas (which elicited an irate letter from Mr. Reeder last year) or General Clark (who apparently will be the new Southern Command chief). Moreover, I imagined that if the Pentagon really reads my columns, it would have also seen that last year I wrote that Panamanians working for Mr. Reeder in the PCC unanimously praise his work, although I also expressed the concern that the U.S. military has almost total control over the transfer of the waterway.

In other words, I imagined that if Washington read my work, it would recognize that my column expresses an independent voice in a free country. After all, my column does not express a critical perspective that is not read daily in prestigious U.S. newspapers such as THE NEW YORK TIMES and THE WASHINGTON POST, while my news dispatches — pardon me for saying so myself — are of an unquestioned veracity.

In sum, I never thought that in this capital of the nation that most values, respects, and defends the freedoms of expression and the press, the independence of those columns and the newspaper I represent would be punished by the Pentagon by closing its doors, doors that would never be closed to a U.S. news medium

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whose influence in the United States is comparable to LA PRENSA's in Panama.

The Pentagon today is handling topics of vital interest to the fate of our nation and of vital interest to Panamanian citizens. I am not writing today about the problems I have had this week in Washington because I want to use LA PRENSA's pages to vent a childish anger because I was not invited to lunch. I am writing about this topic because I feel that LA PRENSA's readers and the Panamanian public, in general, are entitled to know the relevant details of the handling of information that is vital for our future as a nation and a free people. It is they — not this correspondent — who have an absolute right to freedom of thought, free opinion, freedom of the press, and access to the information a people need to govern themselves intelligently.

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Argentina

Argentina: Ministry Views Possible Nuclear Weapons

PY1805013396 Buenos Aires TELAM in Spanish 2133 GMT 17 May 96

[FBIS Translated Text] Buenos Aires, 17 May (TELAM) — The Argentine Government has expressed concern over the possible existence of nuclear weapons aboard the British frigate Sheffield that was sunk during the Malvinas [Falklands] War in 1982.

The Foreign Ministry issued a communique saying that "permanent studies are being conducted" to detect possible environmental changes to the continental and insular populations of the South Atlantic.

The information disseminated by the Foreign Ministry press office this afternoon says that "since 1982 we have followed with attention and concern rumors and debates on the possible presence of nuclear weapons aboard HMS Sheffield," which was sunk during the Malvinas War.

The issue came to the fore following news from London of a report by the International Atomic Energy Agency (IAEA) on the responsibility of Britain in cases of environmental contamination that was mentioned during a debate in this country's parliament.

The Foreign Ministry communique stresses that "the IAEA report was issued in 1991. It is a public document that discusses the possibility that the HMS Sheffield carried nuclear weapons."

The communique says that as of 1982, Argentina "follows with attention and concern all rumors and debates" on the issue.

The Foreign Ministry stresses that "the eventual environmental impact derived from the presence of nuclear weapons in the southwest Atlantic on Argentina's continental and insular population, as well as on the marine environment, are the object of attention and study by Argentine authorities and their technical organs."

The communique concludes by pointing out that "the presence of nuclear weapons and radioactive materials in the southwest Atlantic, if confirmed, would be contrary to international norms on the matter, particularly the Tlatelolco Treaty."

Argentina: Navy Chief Inaugurates Base, Discusses Budget

PY1705220096 Buenos Aires TELAM in Spanish 1839 GMT 14 May 96

[FBIS Translated Excerpt] Zarate, 14 May (TELAM) — Admiral Enrique Molina Pico, Navy chief of staff, stated today that the Navy budget may not be ideal, but the arm of the military forces he commands must adjust to the present reality. [passage omitted]

The Navy chief of staff made these remarks after inaugurating a naval base in Zarate [Buenos Aires Province], which will guarantee the presence of the Argentine Navy in areas of strategic interest. He said he supports the Parana-Paraguay Waterway project, the main Mercosur [Common Market of the South] river basin. [passage omitted]

Replying to a question on press reports that he had met with his Peruvian counterpart to discuss the alleged diversion of weapons to Ecuador, Adm. Molina Pico said the reports were false.

During the ceremony, the chief of staff of the naval forces said: "The Navy has a very clear mandate, namely to ensure its deployment in areas of strategic interest and to reaffirm its presence in the most cost-effective way possible." [passage omitted]

Adm. Molina Pico added that the new naval base is an "unusual" event, "which goes beyond the administrative act" since the establishment of this base "has a clear strategic purpose because it is tasked with deployment and giving cover to our forces."

The Navy chief of staff stressed the importance of the "changes in this region" and emphasized that "the Parana-Paraguay Waterway — as a means of communication within Mercosur — will become a domestic and international hub."

The new naval base is located at the former headquarters of the Navy's Artillery Arsenal. The Naval River Area will also be headquartered there.

Concluding, Adm. Molina Pico observed that this new base — together with the ones in Mar del Plata, Puerto Belgrano, Ushuaia, and the one which will soon become operational in Caleta Paula (Santa Cruz Province) — "will support the forces which defend Argentine interests."

This new naval base will be the base for the two patrol ships, "King" and "Murature"; the 3d Infantry Battalion — which will be transferred from La Plata — and the Navy's Special Forces (Fane) which comprises divers and a group of amphibious commandos with air cover provided by helicopters.

Argentina: Navy Chief on Budget, Achievements

PY1805033496 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2026 GMT 17 May 96

[FBIS Translated Text] Buenos Aires, 17 May (NA) — Admiral Enrique Molina Pico, Navy chief of staff, today

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asked the government to approve a salary increase for all Navy personnel. He emphasized that the reorganization of the military area could not become "a cure-all" for curbing public spending.

Delivering a speech at a ceremony marking Navy Day, Molina Pico requested for his personnel "a level of salaries commensurate with reality, comparable with those currently collected by other public administration servants."

The Navy chief of staff also noted that "it is an erroneous interpretation" to believe that the Armed Forces reorganization "could become a cure-all for curbing public spending."

President Carlos Menem, who remained behind in the Olivos residence for a meeting with his Paraguayan counterpart, Juan Carlos Wasmosy, was not present at the ceremony held this morning at the metropolitan port's North Dock.

Vice President Carlos Ruckauf presided over the ceremony, filling in for Menem. Ruckauf was accompanied, among others, by Defense Minister Oscar Camilion; Lieutenant General Martin Balza, Army chief of staff; Lieutenant General Mario Candido Diaz, joint chief of staff; and Foreign Vice Minister Fernando Petrella.

In his speech, Molina Pico emphasized that as a result of the Navy's budget constraints, "there are many cases in which the Navy personnel, who have dedicated and are still dedicating themselves to the Navy, are forced, despite their vocation, to leave the Navy ranks."

Molina Pico added: "This requires us to concentrate on the most significant point: our personnel." He also pointed out that "we have to achieve the best defense at the best cost possible."

The Navy chief of staff emphasized: "With a changing reality, not all factors are known and predictable, but one thing is clear for us: Defense cannot be improvised and services not rendered are the most costly."

Molina Pico noted: "Now we are making decisions for the year 2015 and we must guarantee a system that, if required, will permit our country to struggle for its interests."

At the end of the ceremony, Molina Pico emphasized: "Nowadays the Navy's budget represents one-fifth of that allocated 10 years ago."

The Navy chief of staff noted: "This affects us operationally, as we cannot carry out all the required tasks, which obviously reduces our level of training."

Asked about the Navy's capability vis-a-vis a hypothetical conflict, Molina Pico emphasized: "As long as there are people who join the Navy with a service vocation, donating their valuable lives, we will continue to work for Argentina's interests and will be in the position of coping with any type of conflict."

In addition to salary requirements, the Navy chief of staff also noted that after the restoration of democracy, "the military spirit has been readjusted, regaining a republican attitude." "This readjustment permitted the Armed Forces to again conform to constitutional provisions," he said.

The Navy chief of staff also described the "Navy's achievements." He emphasized: "We have been steadfastly operating as champions of Argentine interests against the predatory invasion of the South Atlantic, defending our sovereignty and the patrimony of our fellow citizens, and strengthening the proper Argentine international policy."

Molina Pico emphasized: "We also accomplished the peace missions agreed between our government and the United Nations. We are also operating with the other branches of the Argentine Armed Forces and with the Spanish, Brazilian, Paraguayan, Uruguayan, U.S., and South African Navies."

Argentina: La Rioja, Cuyo Provinces Form New Region

PY1705204996 Buenos Aires TELAM in Spanish 0051 GMT 17 May 96

[FBIS Translated Excerpt] Mendoza, 16 May (TELAM) — Interior Minister Carlos Corach said today the establishment of the New Cuyo Region [Region del Nuevo Cuyo] — which comprises the Provinces of Mendoza, San Juan, San Luis, and La Rioja — is "an unprecedented event" in the history of Argentina.

In his opening address at the extraordinary assembly of the governors of the New Cuyo Region, Corach said: "The economic, legal, and political potential of the region will offset many existing imbalances."

It was officially reported that Mendoza Governor Arturo Lafalla, San Juan Governor Jorge Escobar, San Luis Governor Adolfo Rodriguez Saa, and La Rioja Governor Eduardo Maza agreed on "the need for a leading role in the negotiations of the integration agreements Argentina will conduct in her capacity as Mercosur [Common Market of the South] member country."

The governors agreed to defend the interests of the New Cuyo Region that involve "investments, production, and trade in and within Mercosur."

In his capacity as host, Governor Lafalla joined his colleagues in defending the idea of expanding into Merco-

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sur and underscoring the importance of the integration of the region and with Chile.

The governors defended the establishment of the New Cuyo Region on the grounds that "it provides the provinces with a real tool to face the processes of globalization and integration, which demand remarkable coordination, planning, and retooling abilities within the framework of a growth strategy to achieve competitiveness."

The interior minister underlined the importance of this meeting, which in his opinion, "marks the beginning of a new stage in the institutional organization of our country, and will surely be emulated by all provinces." [passage omitted]

Argentina: Military Expert on Impact of Illegal Arms Sales

96SM0303A Buenos Aires LA PRENSA in Spanish 5 May 96 p 2

[Interview with military specialist Rosendo Fraga by correspondent Sergio Moreno; place and date not given: "The Arms Sale Will Make Army Training Difficult for the Next 10 Years"]

[FBIS Translated Text] There were 20 million FAL [light assault rifle] and 20 million 9 mm pistol rounds, charges military analyst Rosendo Fraga.

In an interview with LA PRENSA, Fraga says that the arms sale will make military operations difficult, demands clarification of political responsibilities, and warns of resentment in the chain of command over quarrels in the Ministry of Defense.

According to military expert Rosendo Fraga, the affair of the illegal sale of Argentine arms to Ecuador and Croatia — while both countries were at war (the former with Peru), and both were under international embargos — has created a bad precedent with respect to military subordination to civilian authority. In an exclusive interview with LA PRENSA, Fraga disclosed that "military equipment and munitions have been sold that make difficult the operations of the Armed Forces, especially Army training, for the next 10 years." Fraga believes that Defense Minister Oscar Camilion should make known his findings, on an urgent basis, concerning the political responsibilities of his ministry in this episode, and that military reform, which has been pending since 1983, should go forward.

[Moreno] In your opinion, what are the most troubling aspects of this affair?

[Fraga] There are four aspects to this problem. First, with regard to Argentine foreign policy. This subject is not a determinant in our foreign policy, nor is it at the center of our relations with the United States or Europe. But Argentina has an immediate responsibility to maintain peace between Peru and Ecuador that it did not have with respect to the Iran-Iraq conflict, not with respect to ex-Yugoslavia. It has responsibilities with Peru and Ecuador because of the Treaty of 1942, which makes it one of the four guarantors of peace. Therefore, the political responsibilities are not the same regarding a shipment of arms to Ecuador as they would be to Iran or Iraq, or to ex-Yugoslavia. In addition, the historic relationship with Peru gives a different political content to this affair. It has not caused a crisis in Argentine foreign policy, but it has created a problem of credibility for our country in South America.

In the second place, there is a problem of administrative responsibility. The question is: at what level was the administration aware that the final destination for the arms was falsified and that a diversion of arms was occurring. There has been testimony, proofs and indications that certain levels of the administration were aware that the certification was false and that a diversion was taking place.

Third, there is a problem of military policy. In the last decree on arms exports in January 1995, which caused the diversion to Ecuador, it was made clear that the amount of armaments being exported was very important: 20 million rounds of FAL ammunition, 20 million rounds of 9 mm pistol ammunition, etc. Military equipment and munitions have been sold that create difficulties for the operations of the Armed Forces, at a time of budget reductions. The 20 million FAL rounds and the 20 million 9 mm pistol rounds alone constitute the ammunition needed for Army training for the next 10 years.

The fourth aspect refers to political responsibilities. The political authorities cannot oversee everything that occurs in their area of responsibility. The problem is that a person of some influence in administration was involved in this matter. This was a very important export, for the size of our defense system, which creates a major problem of credibility for Argentina among the countries in the area. The administrative as well as political responsibilities point to the Ministry of Defense.

[Moreno] Has the role of the minister of defense raised a question about political leadership in this area?

[Fraga] The Argentine minister of defense has more authority than any of his peers in Latin America. He wields two key levers in the military structure: budget allocations — the amount of funding for each service branch — and the appointment of senior officers. These are

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two key functions in controlling the military structure. It must also be kept in mind that the nine defense ministers we have had since 1983 have generally not used these powers.

[Moreno] Did the chain of command break down at this point?

[Fraga] With the episode of the arms sales, we are seeing a situation that evidently requires rethinking: that two chiefs of staff appear in the news media in confrontation with the minister of defense is a very negative precedent for military subordination to civilian authority. This does not mean that Martin Balza and Juan Paulik are not right in what they say. But, institutionally, that both chiefs are confronting the minister and are contradicting him is clearly negative in the context of democracy and for the defense system. It would be impossible to imagine the chiefs of staff of the United States armed forces in a confrontation with Defense Secretary William Perry. That is another political cost of this crisis: we are causing a deterioration in the leadership of the defense system.

[Moreno] The chiefs of the General Staff seem to be reaffirming their subordination to the president, but they do not observe it with regard to the minister.

[Fraga] The president is the commander in chief of the Armed Forces, according to the constitution. With two decrees signed in 1983 and 1984, the president delegated some of his powers to the defense minister. This is why he is a minister with many powers, But this deterioration in the authority of the Ministry of Defense is not contributing to a strengthening of the system of military subordination to civilian authority. The confrontation between the chiefs of the general staff and the minister constitutes a very negative precedent, which is also a political consequence of the crisis that has not been fully examined.

[Moreno] How should it be examined?

[Fraga] First, it must be determined whether the minister of defense has political responsibility for this episode. He must make known his findings, which the president himself requested of him 10 days ago. Second, once these results are known, determine whether the minister is in a political situation in which he can continue to exercise command of the Armed Forces. If he is not, then it would be appropriate to replace him, in order to have a Ministry of Defense able to command the Armed Forces.

[Box, p 2]

What Must Be Determined

[Moreno] By this time, should not the government have come up with some result?

[Fraga] The president announced publicly 10 days ago that the minister of defense was to investigate the political responsibilities that had arisen as a result of this affair. The minister must make known his conclusions about these responsibilities. In the second place, it is urgent that suitable measures be taken with regard to Argentine arms sales. I believe that Argentina should suspend its arms exports and the sale of inventory from the Armed Force's arsenals for 30 to 60 days, to establish a more effective system of controls. Otherwise, extreme measures could be taken, such as a cessation of Argentine armaments exports, closing the factories, etc.

[Moreno] Is it possible for a defense minister not to know that something of this magnitude is happening at the center of his area of responsibility?

[Fraga] The magnitude of this shipment should not have escaped the control of the maximum authority of the Ministry. In any event, I believe that what is fundamental in this case is that the minister make known his findings concerning the political responsibilities in the matter. Starting with that, we will see whether the responsibility falls on some government secretary or undersecretary, or on the minister himself. But it is not reasonable for the minister not to make known his findings on political responsibility.

[Box, p 2]

The Defects of the System

[Moreno] Should the administrative structure of the Defense Ministry be modified?

[Fraga] I believe so. The whole subject of reform and modernization of the Armed Forces has been delayed too long, and has been pending during the 12 years of democracy. In my opinion, the most important reform that was carried out in the Armed Forces during those 12 years was the elimination of compulsory military service. This is without a doubt a basic reform of the system, adopted by Argentina, and now being considered for implementation by countries like Holland, Spain and France. But military reform is still pending in other areas of the defense system. In the final analysis, this arms sale episode should make us reflect upon and approach the reform of the military system as a matter of real priority.

[Moreno] Was there a failure of the defense system in this case?

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[Fraga] Evidently. If 20 million rounds of ammunition for FAL rifles and another 20 million for 9 mm pistols are sold, and the Armed Forces need that ammunition for training, something is wrong. And this is not justified by the argument that some of the ammunition exported was old. Old ammunition can be useful. It only loses 10 percent of its effectiveness, which means that it is 90 percent effective. There evidently is a need here for a system of planning within the defense system.

[Box, p 2]

In the Name of the Father

If the rose is in the name of the rose, and the entire Nile in the word Nile, as Jorge Luis Borges wrote, in Rosendo Fraga's name is what he is and what he was. Lawyer, political scientist, military specialist, historian, and president of the Union Studies Center for the New Majority, Fraga has military and political ancestors who bore the same name. His father was a general and secretary of war with Frondizi. His grandfather was a lieutenant general, minister of war with Figueroa Alcorta, and president of the Chamber of Deputies when the Saenz Pena law was enacted. His great grandfather was a colonel and governor of Santa Fe. Fraga, 45 years old, is also number 16 of the National Academy of History and, whenever there is a crisis in the defense area, his name comes up as one of the candidates. So far, he has not attained that position.

Bolivia

Bolovia: President Returns From Sweden, Netherlands

PY1805030996 Madrid EFE in Spanish 2247 GMT 17 May 96

[FBIS Translated Text] La Paz, 17 May (EFE) — Bolivian President Gonzalo Sanchez de Lozada returned today from an official visit to Sweden and the Netherlands where he secured cooperation amounting to $27 million. He said this assistance will help to reduce the foreign debt, implement the budget, and maintain domestic economic stability.

The Bolivian president, his wife Ximena Iturralde, and Foreign Minister Antonio Aranibar, arrived at 1300 (1700 GMT) in La Paz.

Sanchez de Lozada noted that Swedish and Dutch officials and entrepreneurs confirmed their support for Bolivia's struggle against poverty and for the structural reforms the government has been implementing since 1993.

The Bolivian president announced that, in addition to the aforementioned cooperation, the Swedish Government committed itself to supply technical assistance for reforming the retirement system, the latest structural change implemented by his administration following the partial privatization of state-owned enterprises, the popular participation program, and the education system reform.

Bolivia: Translation Delays Probe Into Arms Trafficking

PY2005220296 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 20 May 96

[FBIS Translated Text] The probe the Bolivian Military Court is conducting into international arms trafficking using the name of Bolivia has been delayed for weeks on account of the delicate work of translation of documents sent to this court by the Foreign Ministry. Defense Minister Jorge Otasevic has pointed out that financial resources and specialists are needed to do this job. While the dossier is not very bulky, it contains important information. The defense minister reported that once the official translation of the documents is done, the investigation of this affair, in which some high-ranking military officers are implicated, will be resumed.

The scandal of the arms trafficking using the name of Bolivia flared up in Europe at the end of 1992, when the Department of the Public Prosecutor opened Pandora's box. A year later, in October 1993, the La Paz District Attorney's Office decided that the investigation into this affair would be concurrently conducted by the civil and military justice. At that time, most papers recorded that an impressive gun-running racket involving some $300 million having the former Yugoslavia as the final destination of arms and ammunition had been exposed. As time went by, the total amount of this scam was said to be greater or smaller, but the fact remained that a corruption scandal involving higher-ups was laid bare. According to the results of the preliminary inquest disclosed to the press, several high-ranking military officers who held important positions with the Armed Forces National Development Corporation, Cofadena were implicated in this affair.

Brazil

Brazil: Stronger U.S. Controls on Weapons Exports Sought

PY2105011196 Rio de Janeiro O GLOBO in Portuguese 18 May 96 p 9

[FBIS Translated Text] Brasilia — The Brazilian Government will demand that the United States increase restrictions and controls on exports of heavy weapons to Brazil. Justice Minister Nelson Jobim will travel to the United States today, and on 21 May he will present

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to Attorney General Janet Reno a draft of an agreement in which Brazil conditions the efficiency of the fight against drug trafficking upon greater control of the weapons trade in the United States, especially in Miami. The Federal Police learned that 70 percent of the weapons — like the AR-15 — used by drug traffickers in the large Brazilian cities are exported by the United States through Paraguay and enter Brazil through Pedro Juan Caballero.

In a document that will not be signed by the U.S. Government for the time being, Brazil asks that the United States increase its controls to follow up on the destination of the weapons traded in its territory; in other words, to determine who bought the weapons in the factory, to whom the weapons were sent, who exported the materiel to Latin America, and whether or not middlemen participated. In this manner, with each confiscation of weapons in Brazilian slums, it will be easier to reach the weapons traffickers in Paraguay and probably also in Panama. The agreement has been under discussion for months.

The Brazilian administration has decided that the Armed Forces will really cooperate with the Federal Police as of October in drug enforcement operations on the borders with Bolivia, Colombia, Peru, and Paraguay. At the same time, the United States will resume its operations in South America, but it has been agreed that American troops will not carry out maneuvers in Brazilian territory.

Brazil: U.S. 'Model' To Be Used To Fight Money Laundering

PY2105031696 Rio de Janeiro O GLOBO in Portuguese 20 May 96 p 4

[FBIS Translated Text] Brasilia — The Brazilian model to fight drug money laundering will be a simplified copy of the one the United States has been using for years. Justice Minister Nelson Jobim, who left for Washington yesterday, will present tomorrow to Attorney General Janet Reno a proposal to create the Financial Crimes Control Commission [Comissao de Controle de Crimes Financeiros] in Brazil, which is practically ready. Later, Jobim will go to Virginia to see the Fincen [Financial Crimes Enforcement Network] from inside. The Fincen is a U.S. agency that centralizes computer data from the Internal Revenue Service, Customs, the Federal Reserve (the U.S. central bank), the FBI, and even from registries of real estate property.

Fincen has data — which it can make available in less than one hour — on the financial status of any U.S. or foreign citizen in the country. It also keeps records of foreign travels to verify whether a suspect has been in one of the tax haven countries. Brazil will have an interministerial commission that will keep income tax and even criminal records of individuals. The administration is still facing the problem posed by the bank secrecy right guaranteed by the Brazilian Constitution. Jobim plans to propose the creation of the commission during the second half of 1996.

Jobim is also scheduled to meet today with General Barry McCaffrey, the U.S. director for drug policy, to discuss a joint strategy to fight drug trafficking in South America. It has already been decided that there will be no U.S. troop maneuvers in Brazilian territory as part of the U.S. operations that began in October in Colombia, Bolivia, and Peru. It will be exclusively incumbent upon the Brazilian Armed Forces to guard the Brazilian border areas with the above countries to prevent drug traffickers from entering Brazilian territory when pressured by the U.S. forces.

Jobim has already decided with the military ministers that drug enforcement operations will be conducted by the Federal Police, but the Army, the Navy, and the Air Force will provide support to the operations. If the administration deems it necessary, troops will be deployed to the Amazon region. A base to be set up in Manaus to centralize operations will be financed in part with the $1 million supplied by the U.S. Government to fight drug trafficking in Brazil.

In Jobim's opinion, through this operation Brazil will, for the first time, focus on drugs entering the country, rather than only on those leaving Brazil through our airports.

Brazil: Venezuelan President Arrives For 4-Day Visit

PY2005135896 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 20 May 96

[Report by Lourival Macedo]

[FBIS Translated Text] Venezuelan President Rafael Caldera is in Brazil on a four-day visit. He has come to negotiate his country's admittance into the Common Market of the South, Mercosur. In his meeting with President Fernando Henrique Cardoso, Caldera wants to resume discussions on the implementation of 11 cooperation accords signed with Brazil during President Cardoso's visit to Venezuela in June 1995. Caldera wants to negotiate Venezuela's admittance into Mercosur, which contemplates the withdrawal of all customs tariffs on products and services.

Venezuela has surpluses of oil and electricity and so President Caldera wants to negotiate the sale of electricity to Brazil. He also wants to negotiate with

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President Cardoso the establishment of the so-called South American energy community.

Rafael Caldera, who is 80 years old, is visiting Brazil just as his country is experiencing tense moments over the radical economic changes adopted by his administration almost one month ago. The price of gasoline has increased 10 fold and the interest rate has increased from 41 to 72 percent per year. These economic measures have mostly affected the middle class. Protest demonstrations and supermarket looting have occurred in several regions of the country.

While in Brazil, the Venezuelan president will be honored at a gala reception. Beside meeting President Cardoso and receiving military and welcoming honors, President Caldera will be honored at solemn sessions in the Senate and the Federal Supreme Court. He will also be honored with a dinner at Itamaraty [Brazilian Foreign Ministry headquarters].

Brazilian officials [short break in transmission] border problems with the arrest of Brazilian gold prospectors in Venezuelan territory. They can now serve their sentences in Brazil.

Brazil: Cooperation Protocols With Venezuela Signed

PY2105025096 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 20 May 96

[Report by Lourival Macedo in Planalto Palace]

[FBIS Translated Excerpt] Brazilian President Fernando Henrique Cardoso and Venezuelan President Rafael Caldera today met in Planalto Palace. They discussed the implementation of 11 cooperation agreements signed during President Cardoso's visit to Caracas last year. One of them envisages the sale of Venezuelan electricity to Manaus and Boa Vista, as well as the creation of a binational oil company. Petrobras [Brazilian Petroleum Corporation] president Joel Reno said that in order to implement such an agreement, the Brazilian Congress must first pass regulations to the amendment breaking the oil monopoly held by Petrobras.

Venezuela has chosen Brazil as its priority trading partner in Latin America. This is why it wants to strengthen ties between the two countries. The two presidents signed protocols for cooperation in the areas of phytosanitary measures and judicial branch efforts to help Brazilian gold diggers in Venezuela and vice versa.

As for the sale of energy to Brazil, the two countries have not reached an agreement yet. While Brazil offers only $21 per megawatt per hour, Venezuela asks for $31. The issue is being discussed by experts from the two countries.

In the Brazilian Foreign Ministry, Itamaraty, today, President Rafael Caldera asked for greater speed in the integration process between Brazil and Venezuela. He believes there is only one path for the Latin American peoples to solve the social and economic situation in the region: Unity. [passage omitted]

[Sao Paulo AGENCIA ESTADO in Portuguese at 1850 GMT on 20 May carries a report on the Venezuelan president's visit that adds: "Venezuelan President Rafael Caldera said that his country will sign a free trade agreement with the Common Market of the South, Mercosur, this year. 'Venezuela is interested in signing a free trade agreement with the Mercosur this year,'" he said. He added that Venezuela now considers Brazil "'a priority' trading partner"; "Venezuela exported $800 million worth of oil to Brazil last year." President Caldera invited President Cardoso to visit Venezuela next year. Cardoso accepted the invitation promptly.]

Brazil: Cardoso on Venezuela, Chile Joining Mercosur

PY2105034096 Sao Paulo AGENCIA ESTADO in Portuguese 0130 GMT 21 May 96

[Report by Isabel Braga]

[FBIS Translated Excerpt] Brasilia, 20 May (AE) — During a dinner speech in Itamaraty [Brazilian Foreign Ministry headquarters] this evening in honor of Venezuelan President Rafael Caldera, President Fernando Henrique Cardoso defended the admission of Venezuela and Chile into the Common Market of the South (Mercosur). "Brazil is integrated into Mercosur and it understands that Mercosur is incomplete without Chile and Venezuela," said President Cardoso as he announced that in the second half of the year, when it will be Brazil's turn to preside over the Mercosur meeting, agreements and protocols of approximation with Venezuela will be signed.

"We are unifying South America to integrate our peoples," said Cardoso. He considered it important that the cordial relations between Brazil and Venezuela not remain "only rhetorical," but that they produce concrete facts. As an example of trade that must be intensified between the two countries, Cardoso mentioned energy and oil, and he recalled that when he was foreign minister (during the Itamar Franco administration), he always defended the purchase of Venezuelan oil and the construction of a highway linking Manaus and Caracas. [passage omitted]

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Brazil: Caldera's Visit Said 'Crucial' for Venezuelan Ties

PA2105042096 Caracas Venezolana de Television Network in Spanish 1530 GMT 20 May 96

[FBIS Translated Text] President Rafael Caldera and his Brazilian counterpart Fernando Enrique Cardoso will sign today economic cooperation agreements within the framework of the state visit that Caldera began yesterday in Brasilia. Caldera will meet with ranking Brazilian congressional and Supreme Federal Tribunal officials.

[Begin recording] [Reporter Milensky Oropeza] Caldera will meet on Monday with Cardoso to talk about issues that have been under discussion these past months on matters of energy, border trade, environment, mining, and Venezuela's stance on Mercosur [Common Market of the South]

[Deputy Foreign Minister Milosz Alcalay] This is a crucial phase in the relations between Venezuela and Brazil. The visit by President Caldera, at the invitation of President Cardoso, will serve to strengthen several aspects that had already been addressed in (Lagusmania), beginning with the 1994 meeting between President Caldera and then President Franco. This meeting has been generating a very special dynamic in terms of drawing relations between the two countries closer.

[Oropeza] The agenda also includes talks on an electricity interconnection between the Guri Dam and Brazil's northern border states. The president will also meet with Brazilian and student sectors before returning to the country on Thursday. [end recording]

Brazil: Police Find Dynamite Under Frontier Bridge

PY1805030896 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 17 May 96

[FBIS Translated Text] Federal Police agents have found 4 kg of dynamite beside one of the pillars of the Friendship Bridge, which connects Foz do Iguazu, Parana State, to Ciudad del Este, Paraguay.

The dynamite, which is enough to destroy a 10-storey building, was seized by the police and handed to the Army.

Brazil: Increased Weapons Smuggling Across Border Viewed

PY2005162096 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 20 May 96

[Report by Marilia de Castro in Campo Grande, Mato Grosso do Sul]

[FBIS Translated Text] Weapons smuggling in Mato Grosso do Sul, via the town of Ponta Pora, is increasing. The Paraguayan town of Pedro Juan Caballero, on the Mato Grosso do Sul border, and Ponta Pora have become the main route for smuggling heavy weapons to the United States and Europe.

A 9-mm pistol costs 600 reals in Paraguay, and twice as much in Brazil. Mato Grosso do Sul State is used as a route by smugglers. The weapons are believed to go from Pedro Juan Caballero, via the largest Brazilian centers, to the United States and Europe. Most weapons reach their destination via Sao Paulo and Rio de Janeiro.

The Mato Grosso do Sul Federal Police Superintendency has announced that the route used for the smuggled weapons will now be controlled by Brazilian and U.S. police in compliance with a measure to be adopted by the Brazilian and U.S. Governments later this week.

Brazil: Judges 'Resist' Enforcing International Treaties

PY2005135996 Buenos Aires GAZETA MERCANTIL LATINOAMERICANA in Spanish 5-11 May 96 p 27

[Article by Wladimir Gramacho in Brasilia]

[FBIS Translated Text] Judges are always accused of creating obstacles to development, but now they are also being accused of creating obstacles to economic globalization. Judges in Europe were forced to accept the integrationist impulse and have thus become subject to the Luxembourg Court, the top EU judicial institution.

Brazilian Senate Legal Consultant Jorge Fontoura, who has been studying the Common Market of the South [Mercosur] integration process, said: "Judges everywhere resist submitting to principles established by international treaties. This will probably change very soon, due to unavoidable pressure from economic integration."

In Brazil, following a lawsuit that dragged from September 1975 to June 1977, the Federal Supreme Court ruled that international treaties have the same hierarchy as common national federal laws. The status given to international laws in Brazil was similar to the status they have in the United States, but entirely different from the European position, which tends to give more importance to international laws.

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Within the Mercosur, Argentina is the first country to adopt this tendency. In 1992, when ruling over the case of "Ekmekdjian, Miguel Angel, and others," the Supreme Court ruled that international treaties not only prevail over domestic laws, they also have immediate enforcement. In a recent article about Mercosur, Jurist Michel Arrighi stated that the decision by Argentine magistrates "will have unquestionably positive consequences on the integration process."

Considering each country's position, the decision to implement international treaties nationally could be optional. Article 13 of Resolution 375 of the United Nations Charter establishes that "all countries must comply with obligations deriving from international treaties and cannot invoke dispositions of their own Constitution or national laws to avoid fulfilling these duties."

Despite the seriousness of this resolution, Brazilian Federal Supreme Court [STF] Justice Francisco Rezek — a former foreign minister — pointed out that preference is normally given to national laws, "although this entails committing an illegal act, for which the Brazilian Government will be held accountable abroad."

Justice Marco Aurelio de Mello, Rezek's colleague at the STF, was recently defeated as rapporteur of a case where he defended the primacy of the American Convention on Human Rights — San Jose de Costa Rica Pact — over a decree-law issued in 1969, which foresees imprisonment for anyone who defaults on payments in a chattel mortgage contract (as used by companies that manage buyers' clubs), but which is forbidden by the above Convention. The Convention was promulgated during Itamar Franco's administration (1992-1994).

In future cases, however, this type of decision should become increasingly more remote. Jurist Ligia Maura Costa believes "the international community sets the new legal order, in which each administration must limit its own legal order and thus conform to that of the community." She added: "Whether they like it or not, judges will have to consider what is being decided outside their countries. This is our course of action."

Justice Mello agrees with this, but defends the need for a gradual transition. He said: "There is no doubt we will reach a stage of standardized norms. The important factor, however, is to go slowly and reach accords among the different areas until we achieve a more thorough homogeneity."

Of all Brazilian laws, the National Tax Code (Law 517/66) is the main exception to the rule of giving the international treaties the same importance as federal common laws. As such it could cause friction. Article 98 states: "International treaties or conventions that derogate or modify the domestic tax law will be complied with in accordance with the new norms."

The tax system is a delicate issue in a process of economic integration. Some lawyers believe the solution adopted by this Brazilian code should be reflected in other Brazilian laws. Among these, the law for the defense of competition should be harmonious within the jurisdiction of a common market.

Brazil: New Economic Coordination Secretary Named

PY2005003096 Sao Paulo GAZETA MERCANTIL in Portuguese 9 May 96 p A5

[Report by Rodrigo Mesquita in Brasilia]

[FBIS Translated Text] Bolivar Barbosa Moura Rocha, the new economic coordination secretary, does not intend to change the course taken by his predecessor, Luiz Paulo Vellozo Lucas. In remarks to GAZETA, he said: "There will be no change of course. The work was moving in the right direction."

Moura Rocha — who will be sworn in on 10 May — believes, however, that he will be able to coordinate the work of his office more smoothly with that of the other Finance Ministry offices. He said: "My having been close to the minister gives me a broader prospect." He had served as chief of Finance Minister Pedro Malan's staff.

Moura Rocha met Malan in Washington when the new secretary served as an IMF legal assistant from July to August 1991. Almost immediately, from September 1991 to December 1992, he served as a member of the Malan-led team of Brazilian foreign debt negotiators.

When Malan took office as finance minister, he brought Moura Rocha as a deputy to Finance Ministry attorney Luiz Carlos Stulzeneger. Last year, Moura Rocha replaced Almir Freire Lima as chief of the finance minister's staff.

Born in Alagoas State, 32-years-old Moura Rocha has a doctor's degree in political sciences and specialized in International Law at the Geneva International Institute for Higher Studies. He graduated as an attorney from the University of Sao Paulo. He specialized in business law and joined the law firm of Levy and Salomao in Sao Paulo and the Swiss Institute of Comparative Law in Lausanne.

Moura Rocha will be taking office on the eve of the issuance of a provisional measure designed to regulate health plans, in which the Economic Coordination Secretariat played a mayor role. Moura Rocha said: "It

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is a very heavy, sensitive area." He also emphasized it is too early to elaborate on anything else because he will just be taking office on 10 May.

The Economic Coordination Secretariat monitors and takes part in every decision concerning sensitive prices; that is, those having a major impact on the cost of living, such as fuels, fares, and the "Dallari list" (which refers to the list of items excepted from the Common External Tariff of the Common Market of the South).

Brazil: Government Rejects Pressure on Reforms

PY1705234796 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 17 May 96

[Live report by Carlos Alberto from Planalto Palace]

[FBIS Translated Text] In a letter almost entirely written by President Fernando Henrique Cardoso which was released a short while ago, the administration asserts that it does not agree that the negotiations in Congress should be considered political bargaining.

The president states that his commitments to the reforms of the state, society, and the economy were explained during the 1994 election campaign and approved by the voters. He states that he sought and will continue to seek among the public and the political parties the necessary support to implement such reforms.

Proof of this, the letter states, is the great effort made to neutralize the negative effects of a congressional decision which paralyzed farming loans in April 1995, a fact that led to the government definition, with the support of congressmen, of an ambitious plan to covert the farming debts into bonds.

The letter states that the administration will not allow proposals of national interest, like constitutional reforms, to be submitted to last-minute pressure that threaten their approval. This applies to demands by the Minas Gerais congressional bloc on the debt of a company.

The letter ends by stating that the administration believes the public and Congress will understand that the risk of defeating the constitutional reforms will be less harmful to the country than the transformation of the executive and legislative branches into political bargaining instruments that could, even without meaning to, harm the Treasury.

Brazil: Status of Constitutional Reforms Surveyed

96SM0307A Sao Paulo VEJA in Portuguese 15 May 96 pp 28-31

[Article by Eduardo Oinegue: "Reforms at the Hour of Truth"]

[FBIS Translated Text] **The STF [Federal Supreme Court] rejects a preliminary injunction opposing the change in social security, and FHC [Fernando Henrique Cardoso] has another chance to fiddle with the Constitution.**

The constitutional reforms won another chance last week to emerge from the state of paralysis they have been in. Last Wednesday, by a vote of 10 to one, the judges on the Federal Supreme Court rejected a petition by the parties opposing Fernando Henrique Cardoso's administration to halt voting on the constitutional amendment changing the social security rules. As a result of that decision by the judges, retirement and pensions will again be debated by the National Congress. The issue had been at a standstill for over a month when the report by Deputy Michel Temer (PMDB [Brazilian Democratic Movement Party], Sao Paulo) was approved, but his report received 224 requests for special votes—which is what congressmen call the sections of a bill that will be voted on later and separately—and it wound up in the STF. The administration's structure for political action having been strengthened by the addition of Deputies Francisco Dornelles and Luiz Carlos Santos to the cabinet, it now wants to expedite passage of the bill. "We are going to approve the changes to social security and begin debating administrative reform and tax reform," says Minister Luiz Carlos Santos.

In February of last year, when he had just recently been installed in Planalto Palace, Fernando Henrique Cardoso was already calling for reforms. "Brazil is going to impose the necessary reforms on itself and carry them out," he said during a meeting with businessmen and bankers at Planalto Palace. In September, the president sent a message to Congress while making an official visit to Germany: "I will return to Brazil to fight for the reforms. The administration is not going to sit by passively and let the reforms not be passed." At a single stroke in that game of billiards, the president pocketed five constitutional amendments in the first year of his administration. In addition to eliminating the distinction between domestic and foreign firms, he obtained congressional approval to break up the state monopoly on petroleum, telecommunications, natural gas, and coastal shipping. There was such a mood of victory in the air that the reforms were expected to be the big achievement of the PSDB [Brazilian Social Democracy Party] administration. But then came the

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scandal with Banco Economico and Banco Nacional and a flood of other mixups like Sivam [Amazon Region Surveillance System] and the "pink briefcase." The reforms were forgotten for a while.

Misreading the cards—At the start of the year, the president began making speeches again, this time fiery ones, to get the amendments passed. "We have two paths. One, without reforms, means a return to the past with which we are already familiar: instability, cronyism, privileged corporate bodies, and galloping inflation. The other, with the reforms, is a commitment to our future: to democracy, a strong currency, an increase in income and in its distribution, and an end to privileges," Fernando Henrique said. That won approval for amending social security. But with the massacre of landless people in Para, the mini-cabinet reshuffle, and the startling discovery (for the PSDB) that there exists something called the social question, the reforms were again forgotten. In other words, the administration's commitment to constitutional revision is spasmodic. It alternates moments of minor progress with long periods of nonproductiveness. And all that backing and filling is causing a spreading suspicion among businessmen, their advisers, and economists that Planalto Palace is not very interested in getting the reforms passed. That leaves the question: was all that talk about the reforms being the second—and indispensable—step in the Real Plan in order to achieve stabilization of the economy just twaddle?

Here is what the economists consulted by VEJA reporters Roger Ferreira and Gustavo Paulo had to say: "It is a myth to say that the reforms are responsible for the fate of the Real Plan," answers Paulo Nogueira Batista, Jr., an economist in the opposition. "With or without the reforms, inflation is under control," agrees Deputy Antonio Kandir, who supports the administration. "There is no direct relationship of cause and effect between reform and inflation," says former Minister, former consultant, and now banker Mailson da Nobrega. But this does not mean that the reforms are not necessary. Without some changes in the economy, the problems will tend to grow worse. Public-sector social security has long been showing outward signs of fatigue, and it will not enter the new century in the black. For its part, the cost of federal employees has doubled since 1988, and inactive employees, who cost 4 billion reals in that year, now cost 17 billion reals.

That it was necessary to amend social security and the rules governing public employees was therefore something that only Itamar could not see. It is something that would have to be done with or without inflation. The same applies to the economic reforms and to tax reform. Since implementing the reforms requires interfering with specific interests and displeasing a lot of people, the administration is postponing things as much as it can. The bill on administrative reform, for example, has been ready since March, but the rapporteur, Deputy Moreira Franco (PMDB), who supports the administration, has not submitted it to the special committee set up to handle the matter. And the idea is not to do so until social security has been settled. Another amendment—the one on tax reform—is also ready, but it is awaiting the administration's go-ahead before being submitted to another committee. On the same Wednesday on which it won its case before the STF, the administration tried to obtain passage of the first legislation regulating the amendment breaking up the telecommunications monopoly and allowing private firms to enter the cellular telephone field, but there was no consensus, so the vote was postponed.

Parreira—Even the reforms that have been approved are a long way—a very long way—from corresponding to what Fernando Henrique advocated in the election campaign. The social security reform as approved is a clumsy piece of work that will have no positive impact on the economy. And as for administrative reform, how much savings will it mean for the Federal Government? Probably none. Especially since, as Deputy Maria da Conceicao Tavares correctly points out, "Firing government employees is expensive because they have to be paid. And the social security reform may make the new system even more expensive for the government." From all indications, that means little to investors. What interests them is the political signal, argues Senator Roberto Campos: "Even if the administration manages to win approval of only one insignificant bill on social security or some sham administrative reform, the country will be sending a strong signal that the problem has been recognized. It will be clear that there is the courage to face up to taboos, even though not in the form of a radical law." Investors are looking more and more for order so they can earn their profit. Even if some degree of "Brazil risk" is built in. "Even without the reforms, there will be foreign investment in Brazil because the country has a fantastic consumer market," says Deputy Delfim Netto, touching on a crucial point.

The size of the Brazilian market is the country's biggest lure for investment. With a population of 160 million and a middle class numbering 35 million, Brazil is a place where anything can be sold in huge quantities. With a minimum of economic order—meaning no confiscations, schizophrenic changes in foreign exchange, or flip-flops in regulations—the investors will come. But foreign capital alone, even though abundant, is not going to improve anybody's life. In order for Brazil's inhabitants to live well, it is necessary to put an end to the

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unsteady state with its bad health system and passable schools. From that standpoint, the end of unchecked inflation was a good thing for Brazilians and for foreign investors. But reforms at a standstill are doing more harm to Brazilians.

After nearly two years in existence, the Real Plan has in fact won unanimous support. While people can see that the economy is not taking off, something that irritates them, they realize that inflation is remaining stable, and that gets their attention. It is an ambiguous feeling of failure and success, and it puts the administration in the same position as the national soccer team in the latest World Cup competition and Fernando Henrique in that of coach Carlos Alberto Parreira: the team wins but is not convincing because it is on the defensive and always looks ready to fall apart. When all was said and done, Parreira won in the United States. But in Brazilian politics, winning does not necessarily mean that the reforms will be approved. What winning does mean is that Fernando Henrique will either be reelected—if the Constitution is amended—or he will choose his successor. As far as Planalto Palace is concerned, the most important thing from every standpoint is to keep inflation low because low prices have immediate effects, make one popular, and are an indirect means of putting pressure on Congress when the time comes to vote on an amendment allowing reelection. But the reforms displease a great many people—government employees do not want to lose their jobs, workers do not want to wait longer to retire, and no one wants to pay more taxes—and they will produce their effects only in the medium and long term. But this does not mean that they are unnecessary in order for Brazil to modernize.

New Problem

The Real Plan eliminated two bad figures but created another one: 1) inflation has fallen, going from 66 percent in 1986 to 2,708 percent in 1993 and then to a projected 12 percent in 1996; and 2) the foreign debt is under control, having gone from 82 billion reals in 1986 to 76 billion in 1992 and 36 billion in 1996; but 3) the public debt is rising (going from 58 billion reals in 1986 to a low of 53 billion in 1991 and then up to 185 billion in 1996).

Social Security

Short blanket—The books are in balance and then some when there are four workers and only one retiree. In Brazil, that ratio is narrowing dangerously. In 1982, with a total of 8 million retirees, there were 4.2 workers with a signed labor card for every retiree. In 1996, with 15.5 million retirees, there are 2.4 workers with a signed labor card for every retiree.

The Problem

The number of retired people has doubled since 1982. Back then there were 4.2 workers with a signed labor card for every retired person. Now that ratio is 2.4:1. If nothing is done, the country will be down to a 1:1 ratio within 30 years. Even if one projects an optimistic economic scenario—with the economy growing by 4 percent per year for 35 years and the number of workers with a signed labor card increasing—social security will not avoid the estimated deficit of 36 billion reals in 2025.

The Reform

Although at a high social cost, the bill is intended to dispel the numerical chaos. Workers without a signed labor card wind up further away from retirement, since they will have to prove that they have contributed for 35 years. Government employees, who currently retire early, will have to be at least 55 years old to ask for their pajamas. Brazil is becoming appetizing to private pension plans.

The Current Stage

Passed by the Chamber of Deputies on its first reading in March, the amendment wound up in court after the opposition detected procedural irregularities. Now that it is back in debate again, another vote in the Chamber of Deputies and two in the Senate will be necessary. It will not become law before the end of the year. The administration cannot predict the results.

Government Employees

No brakes—The number of federal employees is dropping, but their cost is doubling. In 1987 there were 705,000 federal employees, and the payroll totaled 10.7 million reals. In 1996 there are 580,000 federal employees, but the payroll totals 20.3 million reals.

The Problem

The number of government employees has dropped since 1988, but the payroll has jumped from 10.7 billion to 20.3 billion reals. In the case of inactive employees, the problem is even more serious, the cost having soared from 4 billion to 17 billion reals. Although there is legislation prohibiting the spending of more than 60 percent of tax revenues on the payment of salaries, the states spend an average of 78 percent.

The Reform

The administration wants to do away with the annual and five-yearly payments, which increase the payroll by 600 million reals per year. The bill also allows elimination of job security so that government employees can

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be fired in cases of excess personnel or incompetence. It would also establish a ceiling of 10,800 reals. The Federal Government will probably not lay anyone off, but governors and mayors will.

The Current Stage

The report by Deputy Moreira Franco (PMDB, Rio de Janeiro) is ready, but the bill is being held up until the social security amendment has been voted on. It is not expected to begin producing results until 1997.

Government-Owned Firms

Bad example—The government invests half of what it should in telecommunications. In 1976 it invested 1.6 billion reals, and that was the amount necessary. In 1995 it invested 4.5 billion reals, but the amount needed was 8 billion reals.

The Problem

Government-owned firms do not have the money they need to invest. In 1976, for example, Telebras [Brazilian Telecommunications, Inc.] invested the amount recommended by international standards. Last year, when it should have invested 8 billion reals, it managed to invest only a little over half that amount. Result: Brazil now has the 10th worst telephone service in Latin America. The same crisis exists in Petrobras and Eletrobras [Brazilian Electric Power Company, Inc.]. The administration's solution has been to propose privatization and constitutional reforms that will break up the government monopoly.

The Reform

The administration has put domestic and foreign firms on an equal footing. Second-class monopolies such as natural gas and coastal shipping and first-class monopolies such as petroleum and telecommunications have been broken up. But the challenge lies in the complementary laws.

The Current Stage

The complementary law regulating the breakup of the petroleum monopoly is still being drafted. It should be ready in two months. The administration faced its first test in that area last week. It submitted the law regulating operation of the cellular telephone business for a vote. There was so much debate that the bill has been postponed.

Taxes

Warning signal—The tax pie has grown larger, but the government has less money to lend to the states and municipalities. Tax collections totaled 35.6 billion reals in 1980, and public investment totaled 4.9 billion reals. In 1995, tax collections totaled 80.9 billion reals, but public investment was down to 3.1 billion reals.

The Problem

Brazil is in a fiscal knot. Of its 160 billion reals in total tax collections, 30 billion go to states and municipalities. After all of the government's expenses and social security are paid, 30 billion reals are left. Of that total, 20 billion reals are used to roll over the domestic debt. That leaves 10 billion reals. In the case of the Federal Government, which has roads to pave, schools to reform, and all its other expenditures to meet, that is not enough.

The Reform

The administration's original plan was to draft a broad fiscal reform altering the network of national taxes and the pattern for dividing the tax pie between the Union, the states, and the municipalities. It was discovered that meddling with states and municipalities was too risky, so it was decided to stick solely to the tax reform—by modifying, establishing, and eliminating taxes.

The Current Stage

The bill is ready and in the hands of the rapporteur, Deputy Mussa Demes (PFL [Liberal Front Party], Piaui), and it was prepared with the help of government advisers. It makes insignificant changes in the tax system.

Comments by Economists

We asked this question: "If the constitutional reforms do not move forward, what will happen to the economy in the short and medium term?"

Roberto Campos: "At first, nothing. Just as passage of the amendments will not produce favorable effects immediately, and just as failure to pass them will not destroy the country either. But delay will make money more expensive, increase interest rates, and drive international capital away, and it is the taxpayer who will pay the bill. "Even if the administration manages to win approval of only one insignificant bill on social security or some sham administrative reform, the country will be sending a strong signal that the problem has been recognized. It will be clear that there is the courage to face up to taboos."

Mailson da Nobrega: "There is more than a direct relationship between reform and economic growth. Even the coal dealer in Sape, my hometown in Paraiba, knows that without constitutional reforms, Brazil is not going to grow. Or at most, it will grow very little. On the

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other hand, there is no direct relationship of cause and effect between constitutional reform and inflation. The reforms are being approved, although in less ambitious terms. So the time has come to roll up our sleeves, because we have everything we need to grow. We have a solid industrial base, powerful agriculture, and a sophisticated financial system. It does no good to stand around pounding our chest and celebrating a stable economy but zero growth. Africa is full of countries like that."

Maria da Conceicao Tavares: "All the better. If the reforms are approved, they will cause a short-term fiscal problem, but they will have no effect in the future. The immediate effect of the changes in social security will be to accelerate retirements in the public sector, and that will generate more deficit. And the government will have to hire people to fill the vacancies. In the long run, they will have no effect at all because they were poorly conceived. The government will have to propose more reforms in the future. Saying that they will attract foreign and private investment is nonsense because foreign capital does not want to invest. All it wants is high interest rates. Who is going to invest in an economy that is experiencing recession and unemployment? If the economy shows signs that it is not doing well, that capital will fly far away, as it did in Mexico's case."

Joao Paulo dos Reis Velloso—"It would be a waste. Everything that the Real Plan has achieved would be lost. Without the constitutional reforms, the possibilities for controlling public expenditure will be very limited because the expenditures that are the biggest burden—and that are growing the most—are precisely those for social security and the government payroll. Changes in the Constitution are the guarantee that spending on social security and the government payroll will not soar. Without them, the economic agents will immediately lose the prospect of seeing the public deficit eliminated. That is a bad message to be sending abroad. It may not actually happen at first, but a public deficit that is out of control means the inevitable return of inflation."

Antonio Kandir—"Approval of the constitutional reforms is associated with stabilization, and failure to approve them is associated with the return of inflation. But that is not really correct. With or without reforms, inflation will not return. It is under control. The time is past when the state was the only engine driving the economy. The thing that decides growth today is private capital. Without reforms, investors will be certain that in the future, the government is going to have a serious problem financing its expenditures. And what we see appearing is the justified suspicion that it is going to want to finance the excess with more taxes, thus making production more expensive. If public-sector social security and administrative expenditures are not altered, the interest rate will remain high, and that is recessive, encourages unemployment, and promotes social tensions."

Paulo Nogueira Batista, Jr.—"The administration's objective in promoting the reforms is to reorganize the state in its own way, and that has nothing to do with the fight against inflation. The link between the constitutional reforms and the control of inflation is very tenuous. In the short term, inflation will be under control. But the imbalance in the public accounts is a serious threat to the future. Inflation is combated by undertaking a serious fiscal adjustment, but that is not what is being done in Brasilia. The administration is going to achieve it by beefing up tax revenues and INSS [National Social Security Institute] revenues, combined with austere execution of the budget, and resisting pressure for additional expenditure by the states, municipalities, banks, and farmers. To do that, the administration does not need to keep changing the Constitution. But it needs to go to work."

Luiz Gonzaga Beluzzo—"Reforms will not affect the economy in the short term. So it is not right to make social security reform or administrative reform responsible for combating inflation. If inflation returns, the problem will not lie with the Constitution but with the public debt, for example, which has reached an impressive level. That is what is disastrous, not this or that article of Reform A or B. It is obvious that the economic sectors do not work as separate compartments; they observe all the figures in an economy. So they are clearly watching the reforms. But their magnifying glass is focused on the size of the debt and, mainly, its growth and the cost of rolling it over. That is what is important. Talking about constitutional changes is just shilly-shallying."

Antonio Delfim Netto—"The reforms are basic in the long term. The time is going to come when, if nothing is done, the accounts, which now get balanced in a slapdash manner, will no longer get balanced at all—not even with the help of the IPMF [provisional tax on financial operations] or the Holy Spirit. In the short and medium term, the things that matter are the government's strategies for action, which keep the dollar more than out of step and thus harm exporters; the high interest rate, which causes the public debt to increase too much; and the failure to privatize, which means that the state is still responsible for costs that should have been privatized a long time ago. That is what will decide the future of the Real Plan. That is what may endanger the goals. But even without the reforms, there will be foreign investment in Brazil because the country has a fantastic consumer market."

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Chile

Chile: Requests for Asylum in Canada Considered 'Abusive'

PY2005170496 Santiago EL MERCURIO in Spanish 17 May 96 p C5

[FBIS Translated Excerpt] The government has termed "abusive" the increase, by a certain group of Chileans, of requests for asylum in Canada. The excuse used by these Chileans is that they are being persecuted for political reasons and they are granted the benefits of refugees.

This was reported a few days ago by Canadian authorities who revealed that during the past few years some 3,600 Chileans have emigrated to Canada.

As a first measure to stop this great number, the Canadian authorities have announced that they are considering the idea of expecting Chileans arriving in Canada to have a visa.

Yesterday Chilean Government authorities regretted this problem and announced the beginning of an investigation to see if some Chilean agencies are involved in these deals. [passage omitted]

Foreign Minister Jose Miguel Insulza asserted that the government would like this problem resolved by a change in Canadian immigration regulations rather than the requirement of a visa. [passage omitted]

Chile: PDC, PS Overcome Disagreements on CUT Leadership

PY1705183896 Madrid EFE in Spanish 1831 GMT 14 May 96

[FBIS Translated Text] Santiago de Chile, 14 May (EFE) — The Christian Democratic Party [PDC] and the Socialist Party [PS] have overcome the political problem that had emerged within the ruling Coalition of Parties for Democracy [CPPD] over the reestablishment of the socialist-communist alliance within the United Labor Confederation [CUT].

In a news conference, PDC President Alejandro Foxley and PS President Camilo Escalona stated today that the PDC and the PS have agreed on a formula to share the leadership of the CUT, an organization that is comprised of half a million workers.

Based on this agreement, Foxley and Escalona urged the PDC and PS leaders in the CUT to reorganize the ruling CPPD at a labor union level in keeping with their decision to chair the CUT on an alternate basis.

Thus the PDC and the PS managed to overcome the political conflict that had emerged within the CUT, and authorized the labor leaders to try to find a solution.

In a joint declaration, Foxley and Escalona reaffirmed their parties' irrevocable commitment to the CPPD and to the government led by President Eduardo Frei, who is a PDC member.

In the document, the two leaders stated that the PS and the PDC will continue making efforts to firmly reinstate the CPPD within the CUT.

Following this declaration, it will be up to CUT leaders to try solve the conflict between the PDC and the PS. The PS leaders, however, on various occasions have reaffirmed their disagreement over the decision to share the CUT leadership with the PDC.

The agreement between the PDC and the PS was reached a few days after the CUT's PDC advisers, who resigned from their posts after the April elections, rejoined the CUT leadership. The crisis was prompted by the election of socialist health leader Roberto Alarcon as CUT president with the support of the communists. His election ended eight years of PDC hegemony.

This event, which prevented the election of PDC member Maria Rozas as CUT president, prompted the PDC leaders to freeze their relations with the socialists, as well as the decision to resign from the CUT executive board.

The CUT was created early in the 1950's and was reorganized in 1988, following the military regime's decision to dissolve it in 1993. PDC leader Manuel Bustos had chaired the organization for two consecutive terms.

Chile: Labor Leaders Reject Agreement on CUT Leadership

PY1705200696 Santiago EL MERCURIO in Spanish 15 May 96 p C2

[FBIS Translated Excerpt] After more than three and a half hours of discussion between the Socialist Party [PS] special committee that is dealing with the CUT [United Labor Confederation] case and the CUT labor union leaders headed by Roberto Alarcon, the theory rejecting the idea of sharing the CUT leadership with the Christian Democratic Party [PDC] proposed by Alarcon has prevailed.

Thus, the PS labor leaders rejected the content of the joint declaration agreed upon by the PS leadership and the PDC. PS President Camilo Escalona and PDC President Alejandro Foxley signed the agreement shortly before the labor leaders disclosed their position.

At the end of last night's lengthy meeting — it begun at 1715 and ended at 2045 — Alarcon reaffirmed his decision to chair the CUT for a two-year term. He said

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that it will be up to the CUT congress to establish the date for the upcoming election and to decide on whether the CUT and the PDC will share the leadership on an alternating basis. The position backed by Alarcon and the labor union leaders prevailed over the political agreement reached by Foxley and Alarcon.

Although Alarcon refused to admit it, it has been learned from PS sources that he strongly rejects the agreement reached by the PS and the PDC.

In this regard, Alarcon praised the PS's efforts to clarify the fact that the conflict must be solved within the CUT and not on a political level.

In answer to a question, he said that he is not willing to share the CUT leadership. He added that the declaration issued by Foxley and Escalona does not mention his position and that it only says that the solution of the problem is in the hands of the labor union leaders.

Alarcon said that during the first two years of his term in office there can be no alternating of the CUT leadership because of the commitment to call for elections at the end of this process in which the PDC and the other political forces must participate. [passage omitted]

Chile: Foxley on Regulation of Free Markets

96SM0274A Santiago LA NACION in Spanish
1 Apr 96 p 4

["Excerpt" of speech by Alejandro Foxley, president of the Christian Democratic Party (PDC), delivered at PDC seminar in Renaca; date not given]

[FBIS Translated Text] The four effects of accelerated growth which, in our opinion, are decisive in terms of what one might call the people's agenda are the following:

The first has to do with how chaotic the growth process can become in the absence of adequate regulation by market forces. An eloquent example of this is what is happening in urban life. In the mid 1970's, the government in power at the time was being advised by a professor from [the University of] Chicago. In a paper that enjoyed wide circulation, he recommended freeing up the use of urban soil, claiming that market forces would bring about optimum development of our cities. He also recommended deregulating public transportation, saying that anyone wanting to put a bus on the streets should be able to do so. Good buses would then eliminate all others from the market.

Two decades after that experiment was launched, we are on the brink of urban collapse, and vehicular congestion has begun to affect our health. The School of Medicine has diagnosed a 40-percent increase in cases of acute stress due to the crisis in city life.

The unplanned, chaotic growth of our cities is turning into a factor of daily life. Experts debate "densifying" our cities or the opposite: expanding them in the form of satellite cities. When they debate charging for the use of our streets, they are immediately condemned by other experts, who view this as a false solution.

It is an ever-present issue. Paradoxically enough, heavy investment in buildings, automobiles and industries resulting in accelerated economic growth is suffocating our cities and greatly damaging the quality of life of their inhabitants. Free market excesses end up alienating the citizenry and generating potential political problems.

Globalization of the economy provides access to consumer goods and lifestyles from faraway places. We are becoming interconnected in terms of happenings, information and events with virtually no geographical limitations.

And yet, this globalization also imposes the harsh discipline of international competition. It forces us to restructure businesses.

The latter eliminate management personnel, lay off workers, subcontract services and reduce the size of their organizations. It is a worldwide phenomenon which also affects American companies in their competition with Japan, and Japanese companies in their fight against such a yen so strong that it hurts exports!

Globalization and its effect, reorganization, threaten jobs, producing a lack of security in mid-level management. In countries such as Chile, where the economy is still in the midst of vertiginous change, reorganization becomes essential for entire sectors of the economy. Traditional agriculture must adapt to MERCOSUR. Textiles and shoes suffer from a technological lag that puts them in a precarious position vis-a-vis the growing liberalization of the market.

Chile has developed hybrid public-private systems in education and health. Deregulation is generating an accelerated increase in costs in some of these services. By way of example, let us mention the fees for higher education and ISAPRES [Institute of Public Health and Preventive Medicine]. In some cases, the former amount to payments of between 150,000 and 200,000 pesos a month. ISAPRES changes plans annually in order to conceal diminished coverage or justify disproportionate increases in costs. The effect of both processes is to exclude from higher education or private-pay health care large segments of the middle class that were supposed to be covered!

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Water rates are set in such a way as to make it possible to invest in the sector. The rapid growth of the economy causes water use to increase sharply. Investment requirements increase and, as a result, so do rates.

Public works concessions, totaling some $2.5 billion in the years ahead, will greatly increase the collection of tolls, tolls that will also be paid for the use of some streets.

Nor is this to be construed as an argument against such changes. Rather, we are trying to anticipate new problems, challenges that such changes would imply for public policy.

It would be a serious mistake not to properly evaluate the effect which the rates set for these privatized or deregulated services would have on the various population groups. The accumulative effect of higher payments for education, health, water and the use of streets and roads on the family budget will be significant for middle- and lower-income groups. It will force changes in their spending. To cite an extreme case, it could divide the population into two groups: the wealthy, who can both pay for and use high-quality services; and the rest of the people, whose access to such services is effectively barred because they are unable to pay.

In other words, our model of development: growth with fairness, requires strong social cohesiveness in order to take root. Public policies that might weaken it must be carefully evaluated in terms of their impact on social stratification and our capacity for integration.

These phenomena have a cumulative effect. On the one hand, they open up new prospects for employment, training and instruction, income and buying. On the other, little by little we lose basic patterns of values that guided life during the more routine, predictable periods preceding change.

In other words, globalization generates a lack of security and uncertainty as to the future. Lifestyles change rapidly. Such changes affect the family and the lifestyle of young people and trouble older people. So many exceedingly rapid changes create a need for certainty and affection provided by the community, a recognizable space, "roots," an identity linked to a territory, region, town or neighborhood.

The second paradox thus emerges: The process of globalization creates a need for people to be anchored to their basic community. Decentralization, forms of participation in the community, neighborhood and local government become part and parcel of our needs and, consequently, of the people's agenda.

The effects of such changes are accumulative. They explain the skepticism with which many people hear the success-oriented rhetoric propounded by governments and by those of us in posts of public responsibility. One observes a certain disassociation between official rhetoric, official discourse, the government's agenda, and what one might call "the people's agenda."

To observe this fact is to recognize the most important political challenge facing the Coalition [of Parties for Democracy] in the future. It will be forced to demonstrate to the country its ability to reunite and reconnect the issues of modernization with these new emerging issues. We are in urgent need of an integrated, guiding vision that will forge the modernizing agenda and what we have called the people's agenda into one and the same thing.

A new way must then emerge, a new conception of the many possible and necessary forms of relationships between government and private individuals in the new responsibilities which they are now assuming in the field of public services. At the same time, however, we must achieve a better understanding of the essential regulating role of the government in these markets, which are often natural monopolies.

From this reexamination there should emerge a kind of renewed mandate so that public, private and mixed entities will protect the common good. They should oversee and penalize the overexploitation of natural resources, pollution of the air and water, obnoxious noise, the dirtying of our cities and neighborhoods. They must regulate urban traffic, plan our cities, and take care of the forests, recreation areas and natural parks. They should stand behind the quality of our exports and of what is taught.

It is time for us to take charge of an irreplaceable community asset, an asset forgotten after so many years of a free market culture. It is the ideal of a good life for all persons, not only individually, not only as consumers, but as a "citizenry," with the right to enjoy community spaces, one's neighborhood, one's city, recreation, a good job, access to culture, knowledge, and a life of being interconnected and caring, with security for the future.

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Colombia

Colombia: Draft Resolution Said To Find Samper Innocent

PA2105002696 Santa Fe de Bogota EL TIEMPO in Spanish 20 May 96

[Received via Internet]

[FBIS Translated Text] "President Samper is innocent of illegal enrichment charges." "There is no evidence that Samper had anything to do with the fact that drug trafficking monies contributed to his campaign," and "it has not been proven that President Samper's campaign may have exceeded the expense limits set by the National Electoral Council."

This is part of the 66-page draft resolution that Representative Heyne Mogollon, who is the coordinator of the three-member group investigating the president, will present to his colleagues Eliecer Meneses (Liberal-Cesar) and Rodrigo Arcila (Conservative-Quindio), who will decide whether they will accept it or not.

Considering the evidence collected during the nine months of investigations and included in the voluminous 3,200-page report, he cannot say for sure if Samper decided on the entry of mafia monies into his campaign, if he committed crimes, or if he is unworthy to continue leading the country's future.

Mogollon, in his draft, claims that the illegal enrichment crime is only valid when the alleged beneficiary increases his or her personal assets. In any case, there must be a conviction proving the illegal origin of the monies; in this particular case, a drug trafficking conviction against those who supposedly contributed to the campaign.

According to Mogollon, the testimony and other evidence from the investigation shows that the president "was unaware of all the financial campaign handlings by Fernando Botero and Santiago Medina," and that "there is no evidence on record to prove that Samper directly or indirectly took part or whitewashed the altering of such documents (accounting records), if in fact such alteration took place."

Regarding limits, Mogollon states that the only evidence supplied is the accountant's report from the Office of the Prosecutor General of the Republic, "evidence that cannot be taken into account because it is invalid," because "the experts appointed by the Office of the Prosecutor General of the Republic operated under anonymity."

Mogollon, in addition, will request that the Chamber of Representatives not fall into the trap of accusing President Samper before the Senate with the motive of winning popularity and ensuring their reelection to the National Congress.

"It would have been less traumatic to the personal interests of members of this committee to opt for the easy path of accusing the president of the republic (...) Our egos would have swollen with vanity and our popularity would have made it easy to make it to the Congress, with fewer difficulties, the National Congress in future campaigns (...) None of these considerations was able to swerve our belief that we had to apply the law and only the law."

Excerpts

In view of the importance of this draft, EL TIEMPO is publishing the most relevant parts of the draft report.

"Without wishing to give lessons in law, but with the certitude of having investigated everything to do with illegal enrichment, we want to officially express our position that illegal enrichment does not take place except when the person being accused has obtained a true economic benefit, which has been or is connected to illegal activities and has been declared juridically as such.

"The particular circumstances that the country was experiencing at the time when the illegal enrichment offense was established, along with the arguments and debates that ensued regarding the crime, clearly show us that the legislators' intention was to fight drug trafficking. With this in mind, the offense of illegal enrichment was used as a way of halting those people who directly or indirectly earn assets from drug trafficking.

"It is not the task of the justice system, and less so in the penal field, to make comparisons of behavior. It has already been stated that the penal law is restrictive and therefore in order to be able to say that a certain behavior is criminal, it must exactly fit the definition.

"We respect, even though we do not share, the position on this crime that other judicial entities assume. Their arguments are moralizing, well-intended, but this does not mean they are sufficiently juridical.

"Dealing with the specific case of this investigation, which is to determine whether or not Samper's behavior during his campaign can be typified as illegal enrichment, the committee has analyzed in detail and in a meticulous manner, all of the statements, each and every document from the Office of the Prosecutor General of the Republic, and documents presented by certain witnesses.

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"The country knows these statements. It also knows that there is no other conclusion than Samper not being guilty of the crime of illegal enrichment.

"Not even Samper's staunchest detractors, in their various public appearances, have been able to accuse him of illegally increasing his assets as a result of his electoral campaign.

"We share in part Dr. Nieto Roa's views in his memorandum on this particular crime, which says that not even with Fernando Botero Zea's statements, or those by Santiago Medina, or Maria Izquierdo can one deduce that Samper benefited personally from monies of doubtful origin that appeared in his campaign.

"Considering the structure of Samper's presidential campaign, one is able to deduce that the candidate practically had no say whatsoever in its handling. The candidate's task was mainly to proselytize, dictate conferences, deliver speeches, lead demonstrations, grant interviews, and every sort of activity connected with a campaigning candidate.

"The testimonies of the regional treasurers and the campaign workers are consistent when they contend that not only was Samper not present when the funds were being delivered in cash, but he was rarely seen at the campaign offices. Therefore, it is not difficult to conclude that he was unaware of Botero Zea's and Santiago Medina's financial management.

"In one of his statements, Botero Zea contends that when he discussed the economic topic with Samper, it was difficult to get him to devote time to the issue, because Samper was unconcerned with the economic management aspects of his presidential campaign. Considering this, could there be a better defense for Samper's conduct when his own and most fierce accuser is the one absolving him from any responsibility?

"If there is no evidence, and the country knows that there is no evidence that Samper had anything to do with drug-related funds infiltrating his campaign, then there is no other sound legal conclusion than acquitting him of this charge.

"It has not been juridically demonstrated in this case that President Samper's campaign exceeded the limits of the expenses assigned by the National Electoral Council. This is because the evidence used to corroborate this — the report prepared by the expert witnesses assigned by the Prosecutor General's Office — cannot be accepted as such because the expert witnesses acted anonymously. Therefore, this evidence is invalid and contravenes the express mandate of Law 273 of 1996, which stipulates that this type of proof shall not be used for cases of this sort.

"Concerning the motives of this case, the ruling addresses the Samper campaign surpassing the limits assigned by the National Electoral Council to the electoral campaigns. No other legal consideration in addition to the ones discussed above will be added here. It should be enough to reiterate that among the statements received by this committee and the ones submitted by the Prosecutor General's Office, none intends to directly accuse Samper of being the mastermind or a participant in these events. In light of this and considering the absence of such evidence, a ruling should be issued to acquit Samper not of this crime, as it does not exist, but of the charges filed against him in this regard.

"It has been said without being judicially demonstrated that the accounting books of President Samper's campaign were manipulated, or that their content was forged with the intention not only of concealing that the campaign limits had been surpassed, but also to obtain the reimbursement [reposicion] of expenses, thus concluding that Samper should answer legally to these charges. These remarks were not judicially confirmed because the proof to do so, namely, the report drafted by the expert witnesses assigned by the Prosecutor General's Office, does not exist legally as it involved the anonymous expert witnesses.

"The records contain no proof confirming that Samper, directly or indirectly, participated or glossed over the manipulation of such documents, if it is true that the said manipulation took place.

"The person responsible for requesting the reimbursement of the expenses, not for Samper, but for the Liberal Party's campaign, was not the then presidential candidate. It has been fully established in the records who the person responsible for this action was; consequently, there is no way to hold Samper responsible.

"Samper has been accused of plotting, along with some of his ministers, all sorts of fallacies to conceal from the public the circumstances being investigated by this committee today.

"He has been accused of all sorts of maneuvers, tricks, plots and strategies designed to accomplish the goal mentioned above.

"Having read the file and assessed the evidence, we can conclude that there are several charges that are difficult to refute, because they are baseless [gaseoso] and inaccurate. There are others, however, that can be refuted because they are precise and involve, in one way or another, other persons, who, voluntarily or involuntarily, made the actions in question possible.

"We submit to public scrutiny the statements rendered by the honorable magistrates of the Constitutional Court

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and the Council of State, and those of Humberto Martinez Neira, General Harold Bedoya and Gen. Rosso Jose Serrano Rueda, all of whom have led extremely orderly and untarnished lives.

"Whom are we going to believe? Are we going to believe Fernando Botero Zea or the said persons? We, the members of the committee, tend to believe as true the statements made by the said persons and since they have indicated that Samper, by no means, engaged in any of the illegal actions he is being accused of, we must, once again, conclude that these charges are baseless.

"The context of the charges raised by the Prosecutor General lead us to believe that he is trying to suggest that the legal basis that was considered to pronounce the Inhibitory Resolution [Resolucion Inhibitoria] has changed considerably, because before there was only the one statement by Santiago Medina to file charges against Samper.

"The change which the prosecutor general is possibly alluding to can be the fact that at present, in addition to the aforementioned deposition of Santiago Medina Serna, there are two others that, according to the prosecutor general, tend to coincide with the deposition of Medina Serna. These two depositions are those of Doctor Fernando Botero Zea and Doctor Maria Izquierdo de Rodriguez.

In the past, this committee disagreed with the prosecutor general, in regard to using as evidence against Samper the three coincidentally similar depositions. Testimonial evidence from one person does not have more juridical value when two or more people present the same deposition. It is not the quantity but the quality of witnesses which makes the testimonial evidence valued as sufficient to demonstrate the events in question.

"Three suspicious witnesses can only produce three depositions of the same nature. We have analyzed the personal positions of each of the witnesses. It has been concluded that each of them has a particular interest that moves him to testify in a specific manner. In other words, the witnesses do not have enough credibility, and the similarity of their testimonies is the result of meetings or pacts among them. The intent is to implicate Samper in the investigation.

"If to the above we add the fact that many of the statements made by the aforementioned individuals have been challenged by people who are not considered phonies or biased, the statements by Fernando Botero Zea, Santiago Medina Serna, and Maria Izquierdo Rodriguez will have to be discarded due to the aforementioned juridical reasons."

Colombia: Electoral Council Summons Samper on Funds Issue

PA1705232496 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 16 May 96

[Report by Gilberto Alvarado; from "The Latest News" newscast]

[FBIS Translated Text] President Ernesto Samper Pizano was notified in person this afternoon by the National Electoral Council about the case against him for exceeding campaign funding limits and for a lack of accuracy in the accounting records given to the control authorities.

Also notified for the same reasons were former Minister Fernando Botero, former campaign Treasurer Santiago Medina, Juan Manuel Abella, and official campaign manager Alfonso Escobar.

They will have 10 working days to respond to charges before the National Electoral Council investigators.

Former candidate Andres Pastrana Arango was also notified of the case opened against him so that he can explain why the accounting records of the eight branch offices of the Everyone for Colombia Foundation [Todos por Colombia] were not delivered on time. This foundation was in charge of the financing of his 1994 political campaign.

Colombia: New Finance Minister Denies Economic Slowdown

PA1705002196 Santa Fe de Bogota EL TIEMPO in Spanish 12 May 96

[Interview with Finance Minister Jose Antonio Ocampo by unidentified reporter; date and place not given — received via Internet]

[FBIS Translated Text] Jose Antonio Ocampo affirms that an economy growing at the rate of 4 percent does not need reactivation; he pledges to implement accords with the Bank of the Republic, and he asks his critics to hold their debates with him on a lofty sphere.

He is taking over the Finance Ministry at a time when the talk is about economic recession and a low growth rate for 1996. Isn't the future awaiting him bleak?

[Ocampo] **Difficult Times Are Meant To Be Faced.**

The economy is undoubtedly slowing down, but our estimates indicate that the economy's growth rate is close to 4 percent a year.

Admittedly, the pace of construction has gone down, retail sales are down, and industry has slowed down, although not as much as the ANDI [National Association

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of Industrialists] survey shows. There are also positive signals that are not often taken into consideration, such as the vitality of the mining industry, agriculture, civil projects construction, and the boost to telecommunications.

There is a kind of "recession of expectations." An exaggerated pessimism exists that does not correspond to the facts on the performance of the economy. If one looks at the Fedesarrollo [Foundation for Higher Education and Development] survey for March, for instance, one finds that the assessment of the situation is not as unfavorable, and what went down were the expectations.

[EL TIEMPO] Don't you think that if the political crisis drags on the economy will deteriorate further?

[Ocampo] There is a national consensus regarding the need to solve the political crisis in a prudent amount of time. President Ernesto Samper has said that once the process in the Chamber of Representatives ends, he will make proposals to overcome the crisis.

[EL TIEMPO] Why did you accept the Finance Ministry and the job of continuing in such a controversial government?

[Ocampo] I think I have a responsibility to the country. I was, therefore, the only person who guaranteed a continuation of policies, a fundamental factor to maintaining the economic stability we still have, despite all the difficulties.

In addition, I am a long-time aide of President Samper. The least that people like me can do is to adopt a wait and see attitude until the proceedings at the Chamber of Representatives come to an end.

[EL TIEMPO] You have the reputation of being a friend of protectionism and fiscal deficit. Your actions are going to be subjected to intense scrutiny.

[Ocampo] My commitment to the economic opening is above all question. What we have said and practiced during this government is that we must adopt safeguard measures for some sectors with difficulty. The safeguards statute, by the way, was approved during the Gaviria administration.

I am certain that safeguards are affecting no more than 1 percent of imports. The brouhaha over this matter is uncalled for.

As for the fiscal topic, more than 10 years ago, I said that fiscal reduction should be gradual, because we were coping with a recession. I have not, however, been in favor of fiscal deficits since then.

In this administration, we believe it is advisable to expand public spending in certain areas, but we also believe it must be soundly financed. We have not hesitated to cut public spending. In the agreements Confis [Fiscal Policy Council] made last year, when this year's budget was being drafted, over 1 billion pesos were slashed. Keep in mind that I recently stated in public that 3.5 billion pesos of the Development Plan could not be implemented.

The only thing I have tenaciously defended within the government is that we must also cut functioning expenditures and defend investment spending to the extent possible. The government has waged a struggle with regard to public spending. We split spending in two: the part the government controls, or its own spending, and the part it does not control, or transfers. It is clear to see that in real terms the government's own spending grew over 10 percent a year during the previous government, whereas this spending has only gone up 3 percent in this administration.

The first to suggest raising taxes to President Samper in order to finance public spending in a sound manner was me, following the model of the first democratic government in Chile, that of Patricio Alwyn.

[EL TIEMPO] Are you going to propose modifications to the macroeconomic plan agreed on with the Bank of the Republic?

[Ocampo] I pledge to implement fully all the accords with the Bank of the Republic. We are not going to play any tricks on it. I will jealously guard the compliance with the fiscal goals agreed on with the Bank.

[EL TIEMPO] The president announced the new tax businessmen will have to pay in order to finance military spending. Isn't this the worst time to talk of new taxes?

[Ocampo] This is a topic that must be carefully analyzed. We must study what the possibility or advisability of new taxes is and how long they going are to be in effect. All of this remains to be discussed.

In addition, military spending went up a great deal in the previous government and is above the levels of some Latin American countries.

[EL TIEMPO] Can we be assured that this initiative will be analyzed with the rigor that the current fiscal situation demands?

[Ocampo] **Yes, No Doubt.**

[EL TIEMPO] You have said that the priority is to lower the interest rates. How is this objective going to be reached?

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[Ocampo] I have the impression bankers want the interest rates to drop. It is to their advantage because the financial vulnerability of companies hinges on interest rates.

I have talked about this matter with Bank of the Republic Manager Miguel Urrutia, and it is clear that this process has not concluded. The government will insist that the Bank lower the CDT [Fixed-Term Certificate of Deposit]'s required reserve so that interest rates can come down.

I am a firm believer that high interest rates depend on how severe the monetary policy is.

Our objective is to raise interest to the levels registered in the second half of last year, that is, paid interest rates from 28 percent to 30 percent. In real terms, that is a high level anyway.

[EL TIEMPO] The activation plan seems to lack strength.

[Ocampo] The term reactivation is not the most appropriate for this initiative, since an economy growing at 4 percent a year is not precisely in need of reactivation.

In fact, the most important thing in the short term to overcome the slump is to lower the interest rates, the rest is secondary.

What the plan contains is nothing other than a reinforcement of some policies that are being implemented, such as the boost to low- income housing or measures for sectors hurt by contraband or the competitiveness agreements, for instance. I would have preferred a name like "strategy to support the productive sector."

[EL TIEMPO] The first thing one thinks about when this plan is announced is that the pressure on public spending will be greater.

[Ocampo] There is nothing additional on the matter of public spending. That has to be understood.

[EL TIEMPO] Does the plan mean we are going to begin a new phase of broad application of safeguards?

[Ocampo] The government does not apply safeguards when it deems them inadequate. This is a procedure that is clearly regulated.

[EL TIEMPO] What do you think of the constant criticism by former Finance Minister Rudolf Hommes?

[Ocampo] I am respectful of the viewpoints of others. I respond harshly when I have to, but I have never been aggressive with anyone. I have unfortunately won the enmity of some persons.

I have never eschewed public debate or repressed the viewpoints of others. In addition, I am a member of the academic world, where debates are the essence of life.

I think that the manner of speaking about others has deteriorated, and that is not something that applies exclusively to former Minister Hommes but also to some publications. In a debate, it is not constructive to speak contemptuously of people who are doing their job and with whom one disagrees. One has to keep debate on a lofty sphere.

Colombia: Military Shuffle Does Not Affect Esguerra

PA1805004096 Santa Fe de Bogota EL ESPECTADOR in Spanish 14 May 96 p 7A

[FBIS Translated Text] Santa Fe de Bogota — Admiral Holdan Delgado Villamil, armed forces commander in chief, has voiced his full support to Defense Minister Juan Carlos Esguerra Portocarrero in light of unofficial reports indicating Esguerra's departure from the ministry.

In the last few weeks, the media has announced the possible resignation of the defense minister. What has yet to be determined is the list of possible candidates to replace Esguerra, among which Delgado is the favorite.

Nevertheless, the Armed Forces commander in chief has denied any knowledge of the subject and confirmed full support from all three armed forces divisions and approval of Esguerra's performance at the helm of the Defense Ministry.

According to statements issued by some members of the Chamber of Representatives who have close links to the Nari$o Palace, the possible changes in the military hierarchy will reportedly aim to neutralize certain hostile military leaders that could eventually become a threat to president Ernesto Samper's authority, rather than an attack on Esguerra.

Navy Denies Links

Through a press release, the Navy has denied connection of any of its members to the murder of Alvaro Gomez Hurtado.

In view of reports that two marines served as bodyguards of retired Army General Ricardo Emilio Cifuentes, the Navy has clarified that sergeant Guerra Calderon could not have rendered that service because it can only be provided by the Army.

Furthermore, it denied that the 5th Navy Infantry Batallion of Corozal (Sucre) supports or promotes information or actions by self-defense groups.

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Colombia: Data System To Curb Corruption Implemented

PA1705012396 Santa Fe de Bogota EL TIEMPO in Spanish 14 May 96

[Received via Internet]

[FBIS Translated Text] The government yesterday announced that it launched a unique information system in order to establish the qualifications and patrimony of each state employee. This program is part of a mechanism that the government has implemented to curb corruption.

In the opinion of Nubia Stella Martinez, presidential adviser for public administration, this system will be used to detect who is poor when he joins the state ranks and becomes rich at the expense of the official coffers.

At a news conference, Martinez and Edgar Gonzalez, Administrative Department for Public Duties [Departamento Administrativo de la Funcion Publica] director, explained that before an employee may begin working for a government body a single resume, an assets statements, and an income tax return must be supplied.

However, Gonzalez said that all state employees and even those who have signed contracts with the state have been taking steps to obtain these documents since February.

The officials also explained that this data base will be used by those in charge of hiring to determine a person's qualifications, as well as his work record. This is because, they went on, if there are disciplinary or any other type of corrective measures, the applicant will have to be rejected, and the hiring official will not be able to justify his hiring with the excuse that he was unaware of the applicant's background.

The single resume also has unique advantages for the candidate for a public post, because he will not have to hand a resume to each government body that requests one.

As for the assets statement, the official maintained that they will be updated on a yearly basis or even when the public employee decides to resign or is dismissed.

Colombia: Czar Outlines Drug Directorate's Priorities

PA1705012696 Santa Fe de Bogota EL ESPECTADOR in Spanish 13 May 96 p 8A

[Report on interview with Joquin Polo Montalvo, Colombia's first "criollo" drug czar, by an unidentified reporter; place and date not given]

[FBIS Translated Excerpt] The victim of an attack and the recipient of several threats for facing the challenge of the responsibilities his public service posts have conferred upon him, Joquin Polo Montalvo, a young man from San Andres in his early 30's, is the first criollo drug czar the current government has appointed.

In an interview with EL ESPECTADOR, he defined the priorities of the National Drug Directorate.

[EL ESPECTADOR] You are the Samper administration's first drug director. Are the Directorate's policies going to change?

[Polo] The National Drug Directorate has made a clear commitment: the national drug plan, on which the Justice Ministry has worked during the Samper administration, even though an official from the previous administration was at the helm, Gabriel de Vega. Minister Carlos Medellin's position on this commitment is very clear. We will make all institutional efforts to move forward. I would like to make other internal changes, and we have logistical and personnel problems. We also have to face the problem with the handling of goods seized from drug traffickers.

[EL ESPECTADOR] When you talk about interinstitutional efforts, are you referring to the Nation-Prosecutor General's Office or to the Nation-National Drug Council?

[Polo] To the nation, period, including everyone, because the problem is not just here or there. There are difficulties on both sides: at the Justice Ministry, the Prosecutor General's Office, and the National Drug Directorate. [sentence as published]

[EL ESPECTADOR] What is the National Drug Directorate's main problem?

[Polo] I do not want to see the National Drug Directorate as an institution in charge of handling goods seized from illegal drug traffickers. It is important to confront organized crime, because it is hitting them where it hurts them: in their pockets. This is important, but not really. Another essential issue is prevention and education regarding drug consumption, which is spreading more throughout society by the day.

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[EL ESPECTADOR] During the first months, the Directorate's budget has been devoted not precisely to preventive campaigns, but to publicity on achievements that everybody knows. Is this still the case?

[Polo] The first order I issued was to suppress all these commercials. The fact is, Minister Medellin himself ordered publicity to focus more on prevention and education than on campaigns. We have to show results, but not in the manner in which is being done.

[EL ESPECTADOR] How is the issue of drug addicts going to be handled?

[Polo] Obviously, the problem with domestic consumption must be confronted. Denying this problem would be a form of hypocrisy. [passage omitted on reasons for drug addiction in Colombia]

Ecuador

Ecuador: Unofficial Results Show Nebot, Bucaram in Runoff

PY2005140596 Quito Voz de Los Andes in Spanish 1200 GMT 20 May 96

[FBIS Translated Excerpt] As foreseen, Jaime Nebot [Social Christian Party] and Abdala Bucaram [Ecuadoran Roldosist Party] will participate in a runoff. The votes from people of the mountain range region will determine who wins the runoff election.

Unofficially Jaime Nebot has obtained 27 percent while Abdala Bucaram obtained 25 percent. Last night the small difference between Nebot and Bucaram was regarded as a victory of the Ecuadoran Roldosist Party candidate. [passage omitted]

Unofficial information on the presidential elections is as follows: Jaime Nebot obtained 27.33 percent; Abdala Bucaram, 25.48 percent; Freddy Ehlers, 21 percent; Rodrigo Paz [Popular Democracy Party], 13.56 percent; Frank Vargas Pasos [Ecuadoran Revolutionary Popular Action], 5.03 percent; Ricardo Noboa [Liberal Party], 3.01 percent; Juan Jose Castello [Democratic People's Movement], 2.31 percent; Jose Gallardo [Independent], 1.24 percent; and Jacinto Velasquez [Independent], 1.06 percent.

We reiterate that Jaime Nebot obtained 27 percent and Abdala Bucaram 25 percent, Freddy Ehlers 21 percent, and Rodrigo Paz 13 percent.

Ecuador: No 'Established Deadline' for Official Results

PY2005210396 Quito Voz de Los Andes in Spanish 1700 GMT 20 May 96

[FBIS Translated Excerpt] According to unofficial reports, Social Christian Party candidate Jaime Nebot today continued as virtual winner of the first round of elections in Ecuador, followed by populist Abdala Bucaram with a narrow margin of difference.

According to Option-96 program, Nebot obtained 24 percent of the votes, while Bucaram continued in second place with 22.2 percent, that is, a difference of 1.8 percent.

The candidates will have to participate in a runoff election in July, since neither obtained more than 50 percent of the votes.

A total of 6.6 million Ecuadoreans were summoned to participate in the elections on Sunday, 19 May, to elect a president, vice president, and representatives for all municipal and congressional posts.

The Supreme Electoral Tribunal [TSE] reported that it does not have an established deadline to disclose the official results. The TSE cannot convene until four days after the election has ended. Therefore, they will only meet on 23 May to start the vote count, according to TSE Vice Chairman Guillermo Estrella. [passage omitted]

The TSE closed the electoral process at 1700 on Sunday, 19 May, and immediately afterward started to count the votes at each ballot station in order to hand over duly sealed ballot boxes to the military officers.

The TSE noted that it does not have a deadline to disclose the official results of the general elections, during which the Ecuadoran people also elected municipal authorities and governors. We do not have a deadline but we will try to set one in order to expedite the process and not keep the citizens waiting for the results, and also to be able to prepare for the runoff, according to Estrella.

Estrella did not mention the date they would set, and when asked whether the vote count might take from 10 to 15 days, he answered that he hoped it would take less time.

Ecuador: Nebot, Bucaram To Be Briefed on Talks With Peru

PY2105013596 Quito Voz de Los Andes in Spanish 2300 GMT 20 May 96

[FBIS Translated Text] Defense Minister Alfonso Alarcon has said that the Armed Forces and Ecuadoran Pres-

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ident Sixto Duran-Ballen have agreed to discuss with the two winners of the electoral process, Jaime Nebot and Abdala Bucaram, details of the Ecuadoran-Peruvian peace process that is in effect.

The defense minister added that a meeting will be held soon with the two candidates, one of the Social Christian Party and the other of the Roldosist Party. Minister Alarcon added that these two candidates are aware that the peace process between Peru and Ecuador is a very important matter for the two countries, especially Ecuador.

The defense minister added that all Ecuadoreans without exception hope to achieve a peace with dignity.

Ecuador: OAS Observer Comments on Electoral Process

PY2105013796 Quito Voz de Los Andes in Spanish 2300 GMT 20 May 96

[FBIS Translated Text] OAS observer Diego Paz Bustamante has expressed his recognition to the Ecuadoran Government and to the Supreme Electoral Board [TSE] for the guarantees provided during the develpment of the electoral process.

He said that the people participated in the electoral process with a decisive civic and democratic conviction, notwithstanding the difficulties detected at the beginning of election day, related to the constitution of polling station membership and to the delivery of voting material.

These problems were solved by the electoral officials during election day, Paz Bustamante said. He added that at the closing of the elections, the observers' activities were limited to observing the close of the voting process at the polling stations, the vote tally, and the preparation of the vote count proceedings records to be sent to the respective provincial electoral boards.

He added that they also observed the development of the official vote tally with observers posted at the vote tally centers of the provincial electoral boards.

Paz Bustamante added that his mission will continue receiving information from observers posted throughout the country with regard to qualitative observation of the elections and the solutions devised by electoral officials concerning requests referring to the logistical organization of the process.

Ecuador: Some Clashes, Arrests During Elections Reported

PY2105015596 Quito Voz de Los Andes in Spanish 2300 GMT 20 May 96

[FBIS Translated Text] A total of 750 people were arrested by the national police during the Ecuadoran general elections, mainly for violating the law that forbids consumption of alcoholic beverages, for provoking incidents, and for distributing campaign advertisements.

During the elections held on Sunday, 300 people were arrested for violating the so-called dry law, which forbids consumption of alcoholic beverages throughout the country 48 hours before and two hours after the elections.

There were also some clashes among followers of the various parties, particularly between the two winners; namely, the Social Christian and the Ecuadoran Roldosist parties.

Ecuador: Next President To Face 'Turbulent' Administration

PY2105015396 Quito Voz de Los Andes in Spanish 2300 GMT 20 May 96

[FBIS Translated Text] The next Ecuadoran president will face a very turbulent relationship with the government because no political organization has achieved a congressional majority in the 19 May general elections.

Analysts who were consulted said that the next administration will probably usher in a new stage of political uncertainty similar to that experienced by President Sixto Duran-Ballen, who at times seemed to be a hostage of a hostile Congress that dismissed his ministers at will.

Jaime Nebot's party has obtained 27 deputies, but this figure only represents 32 percent of the 82 unicameral seats. Bucaram's party, the Ecuadoran Roldosist Party, obtained the second largest number, with 19 deputies.

Ecuador: Defense Minister 'Worried' About Argentine Presence

96SM0292A Quito HOY in Spanish 10 May 96

[Unattributed article: "An Attack on National Sovereignty" — received via Internet]

[FBIS Translated Text] The Ecuadoran Armed Forces regard as an "attack on the national sovereignty" the request by Argentine prosecutor Adrian Guillermo Peres to conduct investigations in Ecuador of the alleged traffic in Argentine arms to Ecuador.

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The Defense Minister Is Concerned

Defense Minister Alfonso Alarcon appeared concerned yesterday because, in his opinion, there is the danger that this case could become a pretext to obstruct the peace process between Ecuador and Peru, which are close to beginning the definitive negotiation of the border problem.

Alarcon stressed that the alleged traffic in arms is a problem of the Argentine government, toward which Ecuadoran authorities should maintain an attitude of prudence, because it involves the internal affairs of that state.

"I hope that extraneous parties will also not involve themselves in the internal affairs of Ecuador," Alarcon said.

The Important Thing Is That Peace Prevail

In all this commotion, what is important for the minister of defense is that the peace process between Ecuador and Peru continue, "despite differences that, in the end, could harm the negotiations."

Alarcon recalled that Armed Forces spokesmen had said on several occasions that the purchase of war material during the conflict had been carried out through a private company, and therefore "no government-to government-negotiation took place," he repeated.

Therefore, referring to the presence of the Argentine prosecutor, the minister said that the prosecutor had been received cordially in Ecuador, but that it was not necessary for him to have come personally to conduct the judicial proceedings. "Those requisitorial letters that he brought could have been sent from Argentina through diplomatic channels," said the minister.

Ecuador: Investigation Request Lodged With Supreme Court

96SM0292B Quito HOY in Spanish 10 May 96

[Unattributed article: "Argentine Investigation Request in Solorzano's Hands" — received via Internet]

[FBIS Translated Text] Whether or not to approve Argentine prosecutor Adrian Guillermo Peres' request to investigate the alleged transfer of Argentine arms to Ecuador during the war is to be decided by the president of the supreme court of justice.

Following verification by the legal advisors of the foreign ministry that the terms established by the International Convention on Requisitorial Letters had been complied with, Deputy Foreign Minister Marcelo Fernandez de Cordoba forwarded the request formulated by the Attorney General's Office in Buenos Aires to the Supreme Court. Thus, it is up to the president of the court to approve or deny the request.

Fernandez de Cordoba was guarded in referring to an eventual refusal by the judicial authorities to authorize the investigation, saying that "the request forms part of judicial cooperation; it will have to be dealt with on those terms by our authorities."

Nevertheless, the possibility cannot be ruled out that the president of the supreme court might deny the Argentine request, if he considers the investigation to be prejudicial to national security.

Prosecutor Adrian Guillermo Peres is apparently trying to make his presence here as inconspicuous as possible. Nothing is known of his activities in Quito. The Argentine Embassy made no announcements yesterday regarding the prosecutor's schedule.

Ecuador: Condition of Purchased Arms Investigated

96SM0292C Quito HOY in Spanish 10 May 96

[Unattributed article: "Armed Forces To Investigate Condition of the Arms" — received via Internet]

[FBIS Translated Text] The Armed Forces will conduct an investigation to determine whether arms sold by Argentina to Ecuador during the war with Peru are obsolete, as claimed in press reports published in the Argentine daily LA NACION.

Defense Minister Alfonso Alarcon confirmed that the Armed Forces will carry out these investigations, although he said that "I hope this is not another trick to delay the peace process."

The minister repeated once more that the arms purchase was carried out through a private intermediary and not from government to government.

Referring to the presence in Ecuador of Argentine prosecutor Guillermo Peres, the minister was emphatic in stating that he personally believes that the prosecutor should not have come to Ecuador to request the requisitorial letters, but that this could have been done through diplomatic channels.

As is known, the Argentine prosecutor requested the Ecuadoran judicial authorities to designate a judge to compile the testimony of persons said to be involved in the sale of arms to Ecuador. These persons are Roberto Sassen, president of Prodefensa, and retired military officer Marco Villa Jaramillo.

In any event, Alarcon said that the Argentine prosecutor is welcome in this country and that he has had every liberty to travel. Nevertheless, Alarcon said he believes

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that there must be full respect for the internal affairs of every country and that he hopes that the Argentine prosecutor will proceed accordingly.

Ecuador: Arms Shippers Identified in Uruguay

96SM0292D Quito HOY in Spanish 10 May 96

[Unattributed article: "Arms Shippers Identified" — received via Internet]

[FBIS Translated Text] Montevideo. An Uruguayan judge who is investigating the shipment of arms to Ecuador during the war with Peru in 1995 has in his possession the identities of the foreign owners of the two Montevideo-based companies that acted as intermediaries in the negotiations with Fabricaciones Militares Argentinas.

According to the daily EL OBSERVADOR of Wednesday [8 May], Criminal Judge of the 19th Court Ruben Eguiluz, who has been conducting the official investigation of both companies since 31 March 1995, has documentation proving that the owners of the firms Debrol S.A. and Hayton S.A. are all foreigners.

The information was forthcoming this week following the inclusion in the documentation of the formal accusation against the firms, made by lawyer Gonzalo Fernandez, substitute for leftist senator Jose Korseniak, and deputies of the Broad Front coalition Guillermo Chiflet, Pedro Balbi, Jose Bayardi, and Jose Mujica.

It was also reported that Judge Eguiluz took a statement by Argentine Colonel Diego Pallares, who is now under investigation in Argentina in the same case.

Eguiluz has knowledge of the Montevideo-based firms that took part in the sale of arms that were shipped to Ecuador and Croatia.

Following a series of investigations that the judge requested through the police and in the public registers, Eguiluz has been able to obtain the records of the firms based in Uruguay but owned by foreigners.

According to EL OBSERVADOR, which obtained the information, "no Uruguayan citizens are owners of the companies mentioned, all of whom are foreigners."

Debrol S.A. was founded in Uruguay in 1988, while Hayton was registered in 1993.

The source also stated that "the court is certain that the arms did not pass through Uruguayan territory. They were destined for Venezuela, did not transit Uruguay, and were then diverted to Ecuador."

The investigation supports the affirmation by Defense Minister Oscar Camilion in Montevideo on 2 May that the only point of reference that brings Uruguay's name into the picture "is a firm based in Montevideo, but it cannot even be determined whether there are any Uruguayans in the firm." (EFE)

Ecuador: Official Warns of 'Manipulation' of Sovereignty

96SM0292E Quito HOY in Spanish 10 May 96

[Unattributed article: "Casares Asks That Permission Be Denied" — received via Internet]

[FBIS Translated Text] Prosecutor Fernando Casares has asked Supreme Court of Justice President Carlos Solorzano to deny the request of Argentine prosecutor Guillermo Peres.

The Argentine prosecutor asked the Ecuadoran judicial authorities to designate a judge to take the testimonies of Roberto Sassen, president of Prodefensa, and retired military officer Marco Villa Jaramillo, said to be involved in the sale of Argentine arms to Ecuador.

Casares said that Solorzano should deny the request because national security cannot be subordinated to events that are of public knowledge in Argentina.

"This matter is of great concern to the office of the prosecutor in Ecuador because — apart from the civil and criminal responsibilities that Argentine judges may determine — the matter is serious in that it involves Ecuador in the business of arms contraband. We Ecuadorians cannot allow Ecuador to be mentioned as a beneficiary in connection with any irregularity, which would be evidence of bad faith," said Casares.

Casares said the matter should be handled with special care to prevent Ecuadoran sovereignty from being "manhandled or manipulated." He reiterated that the prosecutor's office does not agree with the way in which the Argentine prosecutor has proceeded "in a cloud of mystery," when his request could have been carried out through diplomatic channels.

Ecuador: Election Notes 10 May

96SM0292F Quito HOY in Spanish 10 May 96

[Unattributed article: "Police Deny Attack" — received via Internet]

[FBIS Translated Text] Guayaquil — The Commanding General of the National Police, Marco Hinojosa, said yesterday that it was not true that the candidate for national deputy of the New Country movement, Luis Macas, had been the target of an attack on his life last Wednesday in Santo Domingo de los Colorados in Pichincha province.

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Hinojosa said that what happened was a confrontation between police and a band of criminals, who fired into the air as they passed the electoral caravan in order to discourage police pursuit.

"It was a coincidence of events that did not constitute an attack on Macas," Hinojosa said. He recalled that at the start of the electoral campaign, the police promptly offered to provide security equally to all of the candidates for various offices, and that the police have fulfilled this pledge.

The candidates have thus been able to note the presence of the police in their daily activities in towns and while traveling. We hope that this degree of security will continue, in which peace and tranquility have prevailed, Hinojosa concluded.

Paz Is the Only Obstacle to Nebot

Alexandra Vela is one of the most active and oldest members of Popular Democracy, and now she is running as a candidate for the assembly in Pichincha.

Her enthusiasm for the presidential candidacy of Rodrigo Paz is such that she prefers to speak about his candidacy rather than about her own campaign.

Vela maintains that Paz's chances have greatly improved due to the fact that the center-left electorate is gradually realizing that the only way to avoid a second-round electoral contest between Jaime Nebot and Abdala Bucaram is a victory by Rodrigo Paz.

According to Vela, this means that intentions to vote for Ehlers have fallen drastically in recent weeks, and those for Paz have increased.

Vela believes that Paz is the only candidate able to beat Nebot in a second round. She makes this statement based on simulations done by the firm Perfiles de Opinion. According to this data, if a second-round election is between Nebot and Bucaram, Nebot will win with 48 percent. If Nebot runs against Ehlers, Nebot will win with 41 percent and Ehlers will lose with 39 percent. Vela maintains on the other hand that, if Paz enters a second round, he will win with 43 percent and Nebot will lose with 41 percent.

"If center-left voters want to prevent Nebot from winning, or want to prevent Nebot and Bucaram from entering a second round, they must vote for Rodrigo Paz," says Vela.

As a candidate for the assembly, she says that if she is elected she will work so that Paz, from the Presidency, will be able to put into practice the three pillars on which his governing platform is based, which are: jobs, education, and health.

Ecuador: Poll-Taking Challenges Among Indigenous Noted

96SM0292H Quito HOY in Spanish 10 May 96

[Unattributed article: "Women: A Mystery Vote" — received via Internet]

[FBIS Translated Text] In Riobamba, poll takers have problems with women. "One never knows with them," they joke. The reason? In that city, when a woman is asked about her electoral preference, she "generally" declines to answer before her husband does. It is that reply that poll takers register in their notebooks, although experience has taught them that it mans little: when the time comes to vote, "when no one sees them," they vote for whomever they want, making nonsense of predictions.

There are also complications in rural communities for "data hunters." They often arrive at these places before the collective vote has been decided in the communal assemblies. What happens then is that all they can register is an enormous number of "undecideds." But, once the poll takers know this, if they reach the communities a little later, after that mechanism of internal democracy has functioned, all the commune members will express a preference for the same candidate. "The spirit of loyalty is very strong there and, once the vote has been decided, it is unusual for someone to go back on that decision," says Victor Hugo Arellano.

Nevertheless, the "collective vote" has lost influence in communities where evangelical groups have arrived. "There, the sense of collectivity tends to be lost, and emphasis is increasingly on the individual."

Ecuador: Distribution of Election Material Described

96SM0292I Quito HOY in Spanish 10 May 96

[Unattributed article: "Last-Minute Electoral Chores" — received via Internet]

[FBIS Translated Text] Guayaquil — The President of the Electoral Tribunal of Guayas [TEG], Jose Galvez, disclosed yesterday that members of the Armed Forces will bring material to the province today or tomorrow that will be used in the general election on 19 May.

Based on the number of voters registered on the electoral rolls — 1,725,735 citizens — a total of 12,080,145 ballot slips will arrive, as each voter must receive seven ballot slips at the 5,785 voting places (JRV).

The voting slips for first magistrates are pink in color; national deputies, gray; provincial deputies, blue;

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provincial prefects, orange; mayors, violet; provincial councillors, yellow; municipal councillors, green; and presidents of municipal councils, cream-colored.

Meanwhile, preparations for the election process are moving forward. A course was given yesterday for TEG coordinators, who will be responsible for instructing the members of the committees. Galvez said that the appointments of JRV members will be announced by the media.

Galvez said that information tables will be installed on 11 May, when publication of the electoral registers in the press is complete. The registers will remain posted in voting places until 19 May, election day.

Galvez also announced that four windows have been open in the TEG since yesterday, where citizens, with the number of their identity cards, can learn where they should vote. These windows will remain open until 18 May, from 0900 until 2300 hours. Also, five employees of the computer center of the TEG were removed for committing illicit acts which jeopardize the upcoming election, announced the head of the organization, Jose Galvez. Among the irregularities committed by these persons, said Galvez, was the alteration of the data base of earnings of the candidates nominated to man the voting places. They also refused to give classes and to dispense information on the programs that are in use.

Ecuador: Election Urns Found in Private Home

96SM0292J Quito HOY in Spanish 10 May 96

[Unattributed article: "Election Urns in Private Homes" — received via Internet]

[FBIS Translated Text] Guayaquil — An accusation filed before the Guayas Electoral Tribunal [TEG] led to the discovery of a private home in which 30 urns were found, of the type to be used in the 19 May elections.

The urns were located in the home of Jaime Montufar, a TEG employee. The TEG President, Roldosist Jose Galvez, and Social Christian member Alvaro Luque, said they were completely unaware of the situation. TEG officials went to the Montufar residence to confirm the truth of the accusation. The urns were returned to the TEG, "from which they never should have been removed, by specific prohibition of the law," sources said.

Luque promised a full investigation of the removal of the urns from the TEG, as they should never have been removed, except by the Armed Forces.

Uruguay

Uruguay: Foreign Minister Ramos Discusses Mercosur

PY2005022296 Montevideo EL OBSERVADOR in Spanish 10 May 96 pp 4, 5

[Interview with Foreign Minister Alvaro Ramos by Gustavo Rodriguez; place and date not given]

[FBIS Translated Excerpt] [Rodriguez] What strategy should the smaller countries of Mercosur [Common Market of the South] follow at this juncture characterized among other things by economic and commercial dependence; astoundingly sharp differences in the partners' economic development, which give rise to structural lopsidedness; growing bilateralism between Argentina and Brazil, which hold sway, thus infringing the basic principle of equality between member states included in the letter and spirit of Mercosur?

[Ramos] Your question is based on several assumptions, with which I do not fully agree. While it is true that 50 percent of Uruguay's exports have Argentina and Brazil as their final destination and Brazil is Uruguay's number one trade partner followed by Argentina, I do not altogether share your views about the astoundingly sharp lopsidedness in economic development between signatory countries. Historically, Uruguay developed its export profile by casting its net there where it had greater comparative advantages to gain a foothold there. Proximity to the consumer market is a comparative advantage — the nearer the better. I do not think that this is bad in itself. On the contrary, it is an advantage, from which we must profit under certain rules of the game. I totally disagree with your argument that the bilateralism between Argentina and Brazil is something negative. Far from being detrimental, for us it is very positive. Without this bilateralism, we could have never established Mercosur. Had Argentina and Brazil eyed each other with permanent distrust it would have been impossible to set up a customs union with a view to establishing a common market, which would enable them to boost exports. Member countries sort of awakened to this huge domestic market, which Uruguay has never had and to which, thanks to Mercosur, now has access. Still, we must devise a strategy to further develop and consolidate this market.

[Rodriguez] So, bilateralism does not bother you...

[Ramos] No, as long as the commitments taken on by the four signatories are respected, it does not bother me. These commitments presuppose that decisionmaking is by consensus and that negotiations are indispensable in order to reach consensus, even if each member country is empowered to exercise the power of veto. One should

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not have a complex about being small in one's dealings with Mercosur. I do not think it advisable for the two smaller Mercosur countries to make common cause with each other to set them apart from the larger partners. Undoubtedly, there are differences in terms of their size and markets. Nevertheless, Mercosur is an economic and commercial integration endeavor founded on a legal and political basis. It is this legal and political basis which gives Mercosur the personality it has. [passage omitted]

[Rodriguez] Which is then the foreign policy strategy that should be pursued regarding this issue?

[Ramos] To continue enhancing and consolidating Mercosur's decisive and decisionmaking structures as well as its institutionality. We should aim at achieving a neat, coherent, and consistent decisionmaking process and at substantially improving mechanisms for the settlement of controversies as reality shows us that the instruments we have at our disposal may no longer be appropriate and need to be deepened and enhanced. The strategy of a country which from an economic, demographic, and geographical point of view is of small dimensions is dissimilar from others which have large markets. Such a small country must cling to legal and political instruments for establishing relations with other countries. This has been the history of Uruguay throughout its entire life as an independent state. We have our place in the sun as long as we have a say in legal decisions and we cling to them. I disagree with what you said about the fact that we find ourselves in a most serious state of affairs. On the contrary, how can you talk about a most serious state of affairs when our exports are growing and Uruguay's regional insertion in Mercosur has enabled us to make projections for the future in terms of programming our exports, which is something we have never had so far?

[Rodriguez] So the current situation is not serious?

[Ramos] No, it is not. What we have to do is to take advantage of the present economic situation in which international trade is freer and is governed by rules of the game which are much more credible and stable than before the Uruguay Round of GATT's talks was brought to a successful conclusion. Mercosur can be identified with an open regionalism policy, which far from living in an ivory tower defended by protectionism, must comply with GATT regulations and has enabled Uruguay to have within its sight — at a stone's throw — a domestic market, which we have never ever had thus far. [passage omitted]

[Rodriguez] Mercosur and employment are closely related. This notwithstanding, Uruguay seems powerless to attract more investments due to a large extent to the high rate of inflation prevalent here as opposed to its neighbors. Isn't it about time we implemented a convertibility plan?

[Ramos] I do not think the time is ripe for that. I think that the path upon which the Sanguinetti administration has embarked is a pragmatic and appropriate path. It is underpinned by strict fiscal discipline, enhanced allocation of outlays, and deficit reduction. We are currently facing some problems that have a bearing on employment. The handicap [preceding word in English] which we still have and which we must overcome is our inability to generate domestic savings since we have attracted foreign investment, but we have been unable to generate genuine investments commensurate with our needs.

Uruguay: Tupamaros Admit Responsibility for 'Horrors'

PY1705230096 Madrid EFE in Spanish 1929 GMT 17 May 96

[FBIS Translated Text] Montevideo, 16 May (EFE) — The political movement of the former Tupamaros [MLN—National Liberation Movement-Tupamaros Faction] guerrillas of Uruguay has expressed its willingness to acknowledge its "share of responsibility" in the horrors of the past, provided that all the parties involved tell "the whole truth."

In a political declaration published today in the local newspapers, the MNL leadership invites Uruguayans to participate in the march "For truth, memory, and never again" scheduled for 19 May, and asks the traditional parties, military leadership, media, journalists, and entrepreneurial chambers to engage in self-criticism.

In their declaration, the Tupamaros point out: "They, along with the U.S. Government, at whose service they have been and still are, were and still are mainly accountable."

The MLN therefore joins a debate reopened in Uruguay on whether or not it is appropriate to review the events that occurred during the military regime (1973-1985) and the preceding period.

The debate, which also includes the so-called law of expiration that was enacted in 1986, approved by Uruguayans three years later and complemented by an amnesty for political prisoners, was rekindled a few days ago with the publication of a letter in which a retired seaman assumed responsibility, as a military officer, for the outrages committed during the "dirty war" and admitted having participated in acts for which he is not proud.

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The Tupamaros noted that President Julio Maria Sanguinetti's calls on not opening "Pandora's box" have been prompted by the fact that "he knows that his own past and the past of his Blanco Party and Colorado Party fellow members, who have been seriously — up to their necks — involved in human rights violations, can and should flow out of that dirty pot." [sentence as received]

The declaration "mainly" holds "imperialism and oligarchy responsible for our tragedies." It requires the payment of "cash on the barrel" compensation "in dollars" for damages.

The Tupamaros report a "historic bias campaign" that wants to present the past under the hypotheses of the "Two Demons Doctrine."

"In keeping with this doctrine, there was, more or less during the same period, a small group of mentally ill people in these Southern Cone countries who — for reasons no one exactly knows — waged an armed struggle, and, on the other side, there was also a small — the smaller the better — group of other mentally ill people, mostly sadists, who contended by torturing, killing, and making people disappear," the declaration says.

In the MLN's opinion, it is a "piece of stupidity" to believe in differences between the horrors experienced by guerrillas or combatants and those experienced by "innocent people," as "it paves the way for all kinds of human rights violations."

Venezuela

Venezuela: President Departs For Official Visit to Brazil

PA1905233996 Madrid EFE in Spanish 1706 GMT 19 May 96

[FBIS Translated Text] Caracas, 19 May (EFE) — Venezuelan President Rafael Caldera traveled to Brazil today on a four-day official visit to draft a strategic alliance between the first Latin American industrial power and the first fuel-producing power on the continent.

The president's plane, which will fly President Caldera and his delegation to the cities of Brasilia, Manaos, and Boa Vista, left the Maiquetia International Airport, located 25 km north of Caracas, at 1140 local time (1540 GMT).

Caldera was accompanied by Foreign Minister Miguel Angel Burelli Rivas, Energy and Mines Minister Erwin Jose Arrieta, Environment Minister Roberto Perez, and Development Minister Freddy Rojas, as well as by members of Congress, the Supreme Court, and a group of businessmen.

Caldera and his host, President Fernando Henrique Cardoso, will hold their first meetings at the Planalto Palace in Brasilia on Monday, where they will sign a series of economic, financial, industrial, and trade agreements, which were negotiated by 11 high-level binational commissions.

Diplomatic sources said that the purpose of the strategic alliance, which Venezuela hopes to sign with Brazil, especially in the areas of petroleum, fuels, and trade, is to gain Venezuela's inclusion into the Common Market of the South (Mercosur), which also includes Argentina, Uruguay, and Paraguay.

Venezuela seeks to become the leading exporter of fuels to Brazil, as well as its leading trade partner, because of its market of 160 million people, especially the states of Roraima, Amazonas, and Para, which are located in the northwestern part of Brazil and quite far from the industrial centers of the country.

Brazil, in turn, wants Venezuela to be its reliable and nearby source for fuels, which should bring economic progress to its northern states and guarantee the sustainable growth of the immense Amazon territory.

In the oil field, both countries are drafting an ambitious plan for the association of their state petroleum enterprises, Venezuelan Petroleum Inc. and Brazilian Petroleum Company, to develop joint projects on both sides of their common border, including an oil pipeline between the two countries and third countries as well.

In the last two years Venezuela has increased its crude oil sales to Brazil, which last year reached $1 billion, five times more than in 1994, according to official figures.

Both governments plan to create a binational company for the construction of a network capable of transmitting electrical power from the Guri Dam in Venezuela, with a 10,000 megawatt capacity, to the Brazilian cities of Manaos, Boa Vista, and other cities near the border region.

Another important objective of the bilateral relationship is to significantly increase border trade and promote the trading of nontraditional products, which in 1995 reached $443 million, 36 percent more than in 1994.

Up until a few years ago Brazil and Venezuela had their backs to one another and fundamentally did not trust each other due to the differences of the political regimes. The end of the military dictatorships and the rise of democracy in the South American giant, however, have caused new roads of understanding to open up between the two countries.

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Bilateral relations were stepped up in March 1994 with the visit by Former President Itamar Franco to Caracas, who signed with Caldera the so-called "Guzmania Protocol," which substantially modified the cooperation agreements signed in 1977.

The rapprochement was further strengthened by the visit paid to Brasilia by President Rafael Caldera in September 1994 to attend the ceremonies celebrating Brazilian independence and by the visit to Caracas by President Fernando Henrique Cardoso last July.

During the first two days of his visit, Caldera will follow a busy schedule. During the final two days he will inaugurate a Venezuelan cement distribution terminal and will deliver a bust of the liberator Simon Bolivar on Highway BR-174, which will soon link the two countries.

Venezuela: Minister Denies Destabilization Plan in FAN

PA2005002796 Caracas EL UNIVERSAL in Spanish 17 May 96 p 1-12

[FBIS Translated Text] Puerto Cabello — Major General Moises Orozco Graterol, the national defense minister, told newsmen gathered at a ceremony at the Ca Agustin Armario Naval Base that he "can assure and certify that there is no destabilization plan in the National Armed Forces [FAN]."

Orozco declared this when asked about a report regarding the possibility of such a plan within the FAN.

"Proof of this is that I am here and am going to Zulia State to visit task forces, and I am not taking tanks, a protective shield, or anything of that kind. I have always felt there is peace and tranquility within the FAN," Orozco said.

Likewise, Orozco said that he had no knowledge of information on drug traffickers using part of the Orinoco River Delta, because he has not received word on this from the authorities. He added that sometimes these "reports are not properly substantiated."

"Once the relevant investigations are conducted, if necessary, the FAN will reinforce the area to stop the continuation of drug trafficking activities," Orozco said.

Regarding the border issue, he restated his previous stand that he has always asked Colombia to have a greater presence of soldiers along the Venezuelan-Colombian border.

"We are being affected by the activities of bandits along the border that in one way or another spoil the peace and tranquility of the farmer," Orozco said. He also argued that "Carabobo State continues to be harassed, and the perpetrators continue to hide behind the border, crossing through Meta State and immediately passing across to the other side, where the border practically becomes their accomplice."

Following his participation in the ceremony at the Ca Agustin Armario Naval Base, the defense minister will head for task forces 1.2 and 1.3, which are located in Guayabo, Zulia State, and la Fria, Tachira State, to inaugurate, just as he did yesterday in Puerto Cabello, 50 houses that are part of an on-base housing plan promoted by the Armed Forces Social Welfare Institute (IPSFA)

Venezuela: Finance Minister Predicts Economic Recovery

PA1705235896 Caracas Venezolana de Television Network in Spanish 1530 GMT 17 May 96

[FBIS Translated Text] Finance Minister Luis Raul Matos Azocar is in New York to continue talks with the IMF. There he will explain to investment bankers the economic measures that are being applied in our country.

[Begin Matos recording] The economy will drop about one point, in overall terms, during 1996, and the nonoil economy will drop about four points. The economy will have a positive growth in 1997 of approximately four points. The beginning of this positive growth will start to show at the end of this year, during the last quarter [preceding word in English]. [end recording]

Venezuela: Effects of 'Turmoil' in Monetary System Viewed

PA1805045596 Madrid EFE in Spanish 1429 GMT 15 May 96

[By Magdalena Morales]

[FBIS Translated Text] Caracas, 15 May (EFE) — Several analysts have agreed that the current "turmoil" in the Venezuelan monetary system could jeopardize the macroeconomic adjustment plan initiated by the government last month.

The analysts told EFE that losses suffered by the Central Bank of Venezuela [BCV] could lead the Venezuelan Government into bankruptcy.

Economist Alexander Guerrero said BCV problems represent a monetary risk of $2 billion that "could result in hyperinflation, if they materialize."

Guerrero also said the Treasury owes $4 billion to the BCV, as a result of collateral costs associated with refinancing the internal public debt, and it pays

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no interest or capital, making this a debt "that has a monetary impact."

The most immediate threat is Venezuela's monetary policy based on the issuance of Monetary Stabilization Bonds [TEM's] to drain liquidity; at maturity, these bonds increase inflation.

"We should ban the BCV from issuing liabilities for the monetary market," said the economist.

Guerrero also said that the threat to the monetary market and the general economy will be kept in check for at least a year thanks to an additional $2.5 billion that Venezuela will receive in 1996 from oil sales.

The analyst stated that this income, in addition to approximately $22 billion in total exports, provides a good cushion to avoid a collapse.

Economist Leonard Buniak pointed out that the expiration of 838.275 billion Bolivares ($1.783 billion) in TEM's between next May and next August will have a magnifying effect that threatens the inflation reduction program.

The Venezuelan Government's goal is to reduce monthly inflation to 2 percent by the end of 1996. Inflation was 34.5 percent for the first four months and 85.95 percent for the last 12 months.

On 22 April, the BCV activated the "money table" for three days with three, four, and seven-day bonds at 79 percent interest in order to "dry" the market and avoid monetary distortions.

While the private financial system benefits from profitable TEM's and high returns at the "money table," the experts' estimates indicate that the BCV will not only be overwhelmed by maturing bonds at the end of 1996, but also by operating losses that reached 77 billion [currency not specified] for the first time in 1995.

BCV operating losses in 1996 will exceed 172 billion Bolivares ($366 billion) since its largest creditors, the government and the Deposit Guarantee and Banking Protection Fund [FOGADE], are not paying.

"The danger of the Venezuelan Government going bankrupt exists," pointed out Buniak.

The issuance of TEM's raised the cost of free market operations to 202 billion Bolivares ($696 million) in 1995, and for the first half of 1996 the financial cost is expected to be 191.832 billion Bolivares ($408 million), that is more than twice the same period in the previous year.

A report from the Comptroller General's Office warns that if the situation persists, the BCV will register equity losses, "in which case the country will be forced to replace the losses, and this will evidently further deteriorate public finances, and specifically, will increase the fiscal deficit."

While some specialists believe it necessary to replace TEM's with active instruments such as public debt bonds, which represent an important portion of BCV assets, their features are not suitable for the market, which believes the BCV to be less risky than the government.

Financial experts insist these losses will lead to new devaluations in 1996 in order to reduce the fiscal deficit of an economy that is highly dependent on imports.

Contrary to government predictions, experts believe inflation is only temporarily on hold and in 1996 Venezuelans will go through their fourth consecutive year of recession.

Suriname

Suriname: Scandals Dominate Run-Up to Election

BR1705140896 Amsterdam DE VOLKSKRANT in Dutch 15 May 96 p 6

[Report by Jeroen Trommelen: "Scandals Blossom in Suriname — Scandals and Rows Dominate Election Battle"]

[FBIS Translated Text] Paramaribo — For a brief moment Suriname appeared to get its own Watergate scandal. In the run-up to the elections which are to be held on 23 May, public servants belonging to the Ministry of Natural Resources discovered that there had been a break-in into the ministry during the weekend. It was no normal break-in. Valuable items remained untouched, while the contents of the filing cabinets of top public servants were turned upside down. There had also been an attempt to break into the minister's office.

"Among the leadership of the ministry there is the impression that the thieves were not normal burglars, but people looking for documents to enable them to discredit the minister during the election campaign," DE WARE TIJD newspaper reported next morning. The report caused neither amazement or uproar. Small scandals, personal attacks, and complicated rows are determining the election battle in Suriname far more than discussion about the unique economic changes which the country has undergone over the last two years.

And there is sufficient raw material available for the scandals. For example last month a small plane was caught 40 km from Paramaribo with 1,200 kg of cocaine on board. Entirely in accordance with expectations, the police investigation into those behind this spectacular

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smuggling scandal is stagnating, and that leaves room for political interpretations.

Politician E. Brunings, a former sympathizer of former Army leader Bouterse, but now the third man in the Alliance party, has leapt into this breach himself. According to him the story is widespread that one of the 21 Surinamese arrested for the smuggling is the right-hand man of the powerful treasurer of the VHP [Progressive Reform Party] government party, D. Sardjoe.

But Sardjoe denies this and has in the meantime taken legal action against Brunings for spreading false rumors. Upon which the newspaper DE WEST revealed once again the involvement of Sardjoe in another scandal, the Begro Insulaire bribery case. "We published the reports of the FIOD [Tax Intelligence and Tracing Service] some years ago. It is a pity that the government, presumably for political reasons, has not had the matter investigated thoroughly."

Before the cocaine scandal there was the gold scandal. In the meantime it has become politically charged as well. In March the Surinamese police revealed that an estimated $75 million in gold and currency had been smuggled to the United States from Suriname, under the leadership of an illegal money changer. A total of 80 people have been arrested, including a well-known politician from DA91 [Democratic Alternative '91]. He said he had acted in good faith, but nevertheless gave up his political positions.

The most important and most stubborn scandal remains the December murders of 1982 under the leadership of former Army leader and present political leader Bouterse. The official investigation into the murders was postponed by President Venetiaan of the New Front government "in order to not let the political relations in the country escalate." However, this tactic appeared to not be usable during the elections. According to the Front the choice on 23 May is now between flowers or guns — "between democracy and dictatorship."

R. van Ritter, a lawyer of Bouterse's NDP [National Democratic Party], believes that the Front should distance itself from this position. Just as in his view the government should distance itself from the activities of Amnesty International in Suriname. The human rights organization is working urgently for the murders to be investigated, to prevent a new government under Bouterse's influence dropping the case forever. I. Graanoogst, the former right-hand man of Bouterse, dismisses this as electioneering. "People should not think that people can win the elections with same arguments as in 1991 and 1987," he said.

Suriname: Bouterse on Netherlands' 'Hypocritical' Policy

BR2005111796 Hilversum Nederland-1 Television Network in Dutch 1800 GMT 19 May 96

[FBIS Translated Text] [Anchorwoman Noraly Beyer] "Scandalous and hypocritical." This is how former Army Commander Desi Bouterse, chairman of the Surinamese National Democratic Party, described the Netherlands' attitude. In KRO's [Catholic Radio Broadcasting Foundation] "Brandpunt" [Focus] news program this evening he lashed out against the Netherlands role in the upcoming elections in Suriname on Thursday [23 May].

[Begin Bouterse recording] I have always said that it is scandalous, really scandalous. The Netherlands Government has always been full of democracy and noninterference in internal affairs. However, after 16 years I have gotten used to this hypocritical behavior. Whereas they often shout: "Stop the thief," they are thieves themselves. I am no longer surprised at anything that the Netherlands does. The dirty war is a typical example, funded by you, or rather by your government, trained by you, territory was made available, militarism was kept alive, and so forth. [end recording]

[Beyer] The fact that the Netherlands suspects him of drug trafficking is ridiculous, in his view.

[Begin Bouterse recording] Each country in the world could talk with me about drugs, except the Netherlands. The Netherlands Government imports drugs legally — I repeat, legally. The report drafted by the Van Traa Commission [on illegal police detection methods] has brought them to say: "My friends, we won't do this again." They are a hypocritical gang. You are using the ABN [General Bank of the Netherlands] to launder dirty money. Amsterdam is the drug mecca of Europe. How does the Netherlands dare to talk to me about drugs? [end recording]

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